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Paris, in Shift, Bars Foreign Control of Firm in Key Sector

By Axel Krause International Herald Tribune PARIS — Reversing itself for political reasons, the French government has decided not to let foreigners buy majority control of the country's second-largest telecommunications company.

Instead, foreign participation in the financially troubled Compagnie Générale des Télécommunications (CGT), will be limited to a maximum of 20 percent, government officials said Monday.

The decision represented a major about-face on an issue that had drawn international attention. France initially had appeared to drop its long-standing refusal to let foreigners control a company in such key sectors as telecommunications.

All three foreign groups that had been negotiating with the French government for a controlling share in the company — a 50-50 joint venture of AT&T and Philips NV of the Netherlands, Siemens AG of West Germany, and I.M. Ericsson AB of Sweden — said they were still interested in some form of cooperation with the company, including bidding on the 20-percent stake.

The Reagan administration warned the French and West German governments last month that it would retaliate against their business interests in the United States if control of the company was awarded to Siemens on political, rather than industrial, grounds as part of Paris's desire to improve trade relations with Bonn.

A senior French telecommunications official said: "The Chirac government made a very Gaullist decision — to make sure no one got the impression that Americans or Germans were coming in on a key area such as telecommunications."

"It was purely political, and now we are back to where we were when it all started," he added.



President Ronald Reagan met Monday with the panel he appointed to investigate the Iran arms scandal. Former Senator John G. Tower, left, heads the commission. The other two members are Edmund S. Muskie, at Mr. Reagan's left, and Brent Scowcroft.

Reagan 'Welcomes' Special Iran Inquiry

By David Hoffman Washington Post Service WASHINGTON — President Ronald Reagan said Monday that he would welcome the appointment of an independent counsel to investigate the Iran arms scandal if it was necessary.

He also ordered the National Security Council staff not to participate in "operational aspects of sensitive, diplomatic, military or intelligence missions" pending the outcome of investigations.

Amid criticism of clandestine operations involving arms sales to Iran with the profits being used to arm Nicaraguan rebels, the president met with a special three-member commission he has appointed to investigate the scandal.

Republicans Cite 'Shambles,' Urge Action

By David S. Broder Washington Post Service WASHINGTON — Republican Party leaders, saying the administration's foreign policy operations are "in shambles," are warning President Ronald Reagan he must move quickly to restore his tarnished credibility or risk long-term damage to his administration and his party.

Richard C. Lugar, Republican of Indiana and chairman of the Senate Foreign Relations Committee, called on Mr. Reagan on Sunday in a television interview to "clean up all the messes" and "take charge immediately" by replacing key White House staff officials and perhaps some cabinet members.



Richard C. Lugar

Shultz to Meet NATO Allies Next Week On SALT-2, Iran Arms Controversies

WASHINGTON — Secretary of State George P. Shultz will meet with NATO allies in Brussels next week for talks that are expected to include the Iranian arms deal and an explanation of the U.S. decision to exceed the 1979 strategic arms limitation agreement, the State Department announced Monday.

The semiannual meeting of North Atlantic Treaty Organization foreign ministers will be held as controversy over the U.S. arms sales to Iran and the transfer of profits to Nicaraguan rebels threatens to engulf the Reagan administration's foreign policy.

The participants in Brussels also are likely to discuss the U.S. position on arms control following the October summit meeting in Reykjavik between Ronald Reagan and Mikhail S. Gorbachev.

Mr. Shultz is to stop in London to meet with Sir Geoffrey Howe, the British foreign secretary, on Tuesday before the NATO meeting. He also will lead the U.S. delegation to annual consultations with the European Community on Friday.

Israel Sent Obsolete Parts, Angering Iran, U.S.

WASHINGTON — Israeli arms brokers substituted obsolete anti-aircraft missile parts in a secret November 1985 arms shipment to Iran, according to the White House, causing the White House to begin sending weapons directly from U.S. military stocks, according to U.S. and Israeli sources.

Iranian military officers had given the Israelis a list of specific spare parts for a type of anti-aircraft battery known as Improved Hawk, or I-Hawk, but for reasons that are not clear they received parts for an older, less sophisticated version of the Hawk, the sources said Sunday.

The November shipment was eventually returned to Israel, and the incident led the White House to stop using the Israeli arms brokers as intermediaries, according to the sources.

Those Israelis had begun the clandestine operation with tacit U.S. approval in the fall of 1985, when two arms shipments to Tehran resulted in the Sept. 14 release of the Reverend Benjamin Weir. He had been held hostage in Lebanon by pro-Iranian extremists.

Pretoria Official Rejects Power-Sharing Proposal

JOHANNESBURG — Home Affairs Minister Stoffel Botha has rejected a plan by a group of moderate whites and blacks to share political power between the black majority and the white minority in Natal Province.

Mr. Botha, who also leads the ruling National Party in the province, said in a statement Sunday that a proposal for a one-man, one-vote system in Natal was unacceptable because it would lead to the "total domination" of whites by the black majority in the province.

The only constitutional framework that the National Party could accept in Natal or nationally, Mr. Botha said, is one that would guarantee equal "group rights" for whites and blacks.

Six million of Natal's seven million inhabitants are black. But the plan, agreed to on Friday after an eight-month constitutional convention that brought together representatives of 36 moderate groups, contained extensive legal safeguards to protect white interests.

GM Approves Buyout Of Perot as He Resigns

NEW YORK — General Motors Corp. on Monday announced that it had approved a buyout plan for its chairman, H. Ross Perot, as he resigns from the company.



H. Ross Perot

Mr. Perot had openly criticized GM's top management, saying it was bureaucratic and had lost touch with workers. Last year, he was the only member of GM's board to vote against its acquisition of Hughes Aircraft Co.

Wall Street reacted negatively to news of the buyout. The price of GM's common shares dropped \$1.375 Monday to close at \$71.50 on the New York Stock Exchange. Its Class E shares were down \$5, closing at \$26.575.

Singapore Exhorting Its Smokers to Clear the Air

SINGAPORE — From the country that pioneered campaigns to banish spitting and tardiness comes a new drive to eliminate smoking.

A three-month campaign to blaze the way "toward a nation of nonsmokers" began this week with a thoroughness typical of Singapore.

'We're more used to looking toward the national good. By and large, we're still very compliant.'

— Dr. Luisa Lee, a Health Ministry official

One of the national traits that the campaign is trying to reverse, Dr. Lee said, is a shyness about complaining about smoke. Posters and television spots, for example, will encourage people to object when someone near them lights up.

Fiery Protest — Hindus in New Delhi Burned an Effigy Monday of Chief Minister Surjit Singh Barnala of Punjab to protest the slaying of 22 Hindus. Prime Minister Rajiv Gandhi was questioned in Parliament about violence in Punjab, where 10 more were killed Monday. Page 3.

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See NATAL, Page 2

# Students to Continue Protests in France

PARIS — Students in many of France's main universities decided Monday to press ahead with a weeklong strike and other protests despite government promises to consider modifying an education bill if some points were "unclear."

Student leaders said the protest movement, which last week brought hundreds of thousands of youths onto the streets, would continue until Prime Minister Jacques Chirac agreed to withdraw the bill. The police closed off the area around the Tuileries Gardens in central Paris as university and secondary-school students gathered to protest against changes that they called elitist.

More than 2,000 youths tried to march toward the nearby Musée d'Orsay art museum, where Mr. Chirac and President François Mitterrand were attending an opening ceremony, but they were held back by riot police.

Mr. Chirac, seeking to counter the biggest wave of student protests since 1968, said Sunday night that the government was ready to consider revising the draft legislation, but he ruled out withdrawing the education plan.

"If the text is not clear, it must be modified," he said, insisting there had been a simple misunderstanding.

The government has proposed an increase in tuition fees and changes in entrance procedures.

Mr. Chirac's efforts to calm the students appear to have had little effect, with the main student organizations at universities at Paris, Marseille, Grenoble and other cities voting Monday to continue a boycott of classes.

In one Lyon faculty, clashes broke out between strike activists and members of an extreme-right student group.

"Chirac treats us like imbeciles," said Isabelle Thomas, a leader of the protest movement. "He has proposed talks on technical points while all that interests us is its withdrawal."

Student leaders also vowed to press ahead with a big demonstration in Paris on Thursday. They said they hoped the march would draw as many protesters as a demonstration last week that attracted 200,000.

The government suspended parliamentary debate Friday on the education bill just after it opened and sent the legislation back to committee for review.

The protest movement has already brought most of the nation's 72 universities to a standstill.



French police stopping a group of students Monday in Paris.

Mr. Chirac said Sunday that higher education badly needed change, but said that 50 percent of students dropped out before getting a degree.

He promised to maintain a national system of degrees and the freedom of all those with a secondary school diploma, the baccalauréat, to enter college and study what they wanted.

# Seoul Opposition Seeks Apology for Police Acts, Threatens Disruptions

SEOUL — The South Korean opposition threatened on Monday to disrupt the National Assembly unless the government apologizes for forcibly preventing an opposition rally on Saturday.

The rally was prevented when thousands of combat policemen were mobilized in Seoul to block intersections, close streets, subway entrances and major buildings.

The operation thwarted plans by the New Korea Democratic Party, the main opposition party, to rally its supporters in a demonstration calling for direct popular election of the president when President Chun Doo Hwan's term expires in 15 months. The government insists on an indirect parliamentary system.

In a resolution adopted at a meeting of its parliamentary members on Monday, the New Korea Democratic Party called the police action "barbarous" and said it proved that the government considered the whole nation as its opponent.

The opposition legislators said they would block any attempt by the governing Democratic Justice Party to pass next year's budget bill through its final stages to meet the deadline Tuesday. Political observers took this to mean that the legislators would occupy the parliament building and filibuster the bill, as they did last year.

The chairman of the Democratic Justice Party, Roh Tae Woo, said his party would continue to take the initiative in South Korean politics and would try to bring about constitutional reform through dialogue with the opposition.

The police, meanwhile, said that 27 persons detained here Saturday would be indicted for leading anti-government demonstrations and that 23 others would face trial on other charges. The remainder of the 2,255 people detained were being released, the police said.

One of those to be indicted has been sought by the police since a riot in the port of Inchon on May 3. Tak E. H., a 21-year-old theology student, last year charged with violating the National Security Law for his alleged part in the Inchon riot.

Disident Urges Caution

Clyde Haberman of The New York Times reported earlier from Seoul:

Although Lee Min Woo, president of the New Korea Democratic Party, said he was prepared to take more militant action in a "fight to overthrow this regime," Kim Dae Jung, who wields party power behind the scenes, has cautioned that "we should not be impatient."

Mr. Kim advised the opposition against calling any more street demonstrations until next spring. He said that the opposition would follow a "steady but peaceful" course in pressing for democratic changes.

"We have many opportunities to fight next year," he said in an interview Sunday. "It's true that we failed yesterday to have our rally. But the people support us very much, and we should not be pessimistic."

Nevertheless, diplomatic and economic analysts said the failed protest would probably cause the opposition to rethink its next moves against an authoritarian government that has repeatedly outmaneuvered it in the last few months.

The party's official spokesman, Hong Sa Dok, said younger members felt especially frustrated. "No one can tolerate such continuous oppression and suppression."

That the government was able to erase the New Korea Democrats' plans was seen by some political analysts as a vivid, if unstable, display of its power to end dissent. Moreover, the reluctance of many Koreans to resist the police was viewed by some analysts as a sign of opposition weakness.

"Our party was defeated," said Park Chung Jung, an opposition legislator. But he gave the perception that Mr. Chun had prevailed only by force, he said, "that doesn't mean the government was a winner."

Criticism by U.S.

The United States criticized South Korea on Monday for blocking the rally Saturday, Reuters reported from Washington.

"Under the Korean constitution," said Charles E. Redman, a State Department spokesman, "the government has the obligation not only to protect security and public order, but also the freedom of association and speech."

U.S. officials have repeatedly expressed Washington's desire that South Korea move as quickly as possible toward full democracy.

# WORLD BRIEFS

## 46 Die in Heavy Fighting in Lebanon

BEIRUT (AP) — Palestinian guerrillas and Shiite militiamen fought on Monday with artillery, tanks and grenades in Beirut and in southern Lebanon. The police said 46 persons were killed and 111 wounded.

The Shiite Muslim militia Amal, allied with the Lebanese army, fought back with multibarreled rocket launchers and rocket grenades, the police said. Local reporters said that the Shiites used about 40 tanks in firing on the camps, which are surrounded by the Shiite shuns of southern Beirut.

The police said that 15 persons were killed and 50 were wounded in the Beirut fighting. They said 31 persons were killed and 61 wounded in similar battles at the Christian town of Maghdoush, which overlooks Palestinian camps at the provincial capital of Sidon in southern Lebanon.

## Pope, on Isle, Criticizes Concubinage

VICTORIA, Seychelles (AP) — Pope John Paul II appealed Monday to the Catholic majority in Seychelles to resist "easy pleasures" and return to traditional marriage.

After a brief introduction in Creole, the pope told an audience of about 15,000 in French that "a society falls apart when marriages become rare and more unstable, when each person sets out first and foremost to satisfy his egoism and easy pleasures, when one accepts unfaithfulness and ruptures." About 60 percent of births on the Indian Ocean island are out of wedlock.

John Paul was scheduled to arrive in Rome early Tuesday, ending a 30,000-mile (49,000-kilometer) tour of Asia and the Pacific, the longest of his many voyages. In addition to Seychelles, the pope visited Bangladesh, Singapore, Fiji, New Zealand and Australia.

## Turner Re-elected by Canadian Party

OTTAWA (NYT) — John Turner won a resounding endorsement for his continued leadership of the Liberal Party. Delegates at a national party convention voted, 2,001-622, to keep Mr. Turner as leader.

Mr. Turner's victory represented a major comeback from his September 1984 defeat by the Progressive Conservative Party. "Now I know that I have your confidence," Mr. Turner said Sunday at the convention. He said his task now would be to prepare for a federal election sometime in 1988.

In a number of policy votes, delegates set what might be the basis for the Liberal election platform. Among other actions, they favored proposals to halt testing in Canada of U.S. cruise missiles, to oppose President Ronald Reagan's strategic defense initiative and to make Canada a nuclear-free zone.

## U.S. to Deport War Criminal to Soviet

WASHINGTON (AP) — The Supreme Court cleared the way Monday for the deportation to the Soviet Union of Karl Linna, who is under a death sentence there for running a Nazi concentration camp.

The court, by a 6-3 vote, rejected arguments that deportation proceedings for Mr. Linna violated his rights.

Mr. Linna, of Long Island, New York, is accused of running a concentration camp in Tartu, Estonia, in 1941 and 1942, where 2,000 people were killed. Estonia is now part of the Soviet Union.

## Rebels Said to Kill Boy in Philippines

MANILA (AP) — Communist rebels ambushed a vehicle on the southern island of Mindanao, killing a 6-year-old boy and wounding the mayor of the town of Magpet and three other persons, the police reported Monday.

The incident took place Sunday along the national highway near the town of Santa Cruz, about 620 miles (1,000 kilometers) southeast of Manila. It occurred three days after the government and Communist representatives signed a 60-day cease-fire that is scheduled to go into effect Dec. 10.

In Manila, Defense Minister Rafael M. Ilo told military commanders Monday to stay vigilant during the cease-fire and advised them not to develop a "rigid mind-set" that the agreement might fail. In a meeting at military headquarters, Mr. Ilo said the truce was a "sensitive and critical experiment."

## Manet Painting Sold for Record Price

LONDON (UPI) — A painting by Edouard Manet was sold Monday for a record \$7.7 million (\$11 million), more than twice the expected price, Christie's auction house said.

The anonymous purchaser of the impressionist painting was identified only as "a European buyer," and Christie's spokeswoman said it appeared that the piece, "La rue Mosnier aux pavés," would leave Britain.

"It is a record for any modern picture sold at auction," a spokeswoman for Christie's said of the successful bid for the 1878 painting of a Paris street scene. The last time the painting was put up for public auction, in 1899, it was sold for about \$500.

## For the Record

Presidential elections will be held in Somalia Dec. 23, the home affairs minister, Ahmed Sulaiman Abdullah, announced Sunday, according to Mogadishu radio, monitored in Nairobi. (APF)

The Solomon Islands parliament elected Ezekiel Aleuba as prime minister Monday to succeed Sir Peter Koroire, who resigned last month following a quarrel over French aid. (Reuters)

The Soviet Union came from behind Monday and won the gold medal in the World Chess Olympiad, beating Britain, which won second place, and the United States, which won third. (UPI)

## FRANCE: Control of Key Firm

(Continued from page 1)

in this decision," said the executive, who asked not to be identified.

"You cannot logically first announce that you are going to open up to a foreign supplier and then later suddenly decide that management control for the foreigner is one of the questions," the official said.

The official government explanation was blunt. "It is better the company remains French," said a spokeswoman for Finance Minister Edouard Balladur, who is directing the government's denationalization program.

The conservative government had restricted to 20 percent the shares foreigners could own in 65 state-owned groups being returned to private ownership by 1991. But an exception was made for the telecommunications company shortly after the government of Prime Minister Jacques Chirac took power after the March 16 parliamentary elections.

The exception was based on the company's status as one that was badly sited in need of new capital and, above all, new telecommunications technology.

French government officials said the decision now to restrict foreign ownership of the company was reached several days ago and was designed to avoid any appearance of "contradictions" in the government's denationalization policy.

Finance Ministry officials said that the government's new strategy was to encourage a French company, or possibly several acting to-

# Britain Unfurls a Symbolic Act: Let the Irish Flag Fly in Ulster

By Francis X. Clines  
New York Times Service

BELFAST — The British government proposed Monday the repeal of one of the more volatile factors in the province's sectarian clashes — the Flags and Emblems Act that has pitted the majority waving the Union Jack against the minority rallying round the foreign tricolor of the Irish Republic.

The issue touches the raw nerve of Ulster's violent history.

The 32-year-old act prohibits the flying of the flag of the Republic of Ireland.

The Protestant majority that proclaims loyalty to the British

Crown views the proposal as undermining their dominance in this British-governed province and as capitulating to the republic to the south.

British officials say it is further evidence of their commitment to reduce the levels of intimidation and violence in the province.

Mr. King described repeal of the

flag act as more symbolic than substantive, as other laws provide Ulster against the use of flags and emblems to incite violence. But he acknowledged that the sectarian conflict is galvanized by such symbolism and that the act long has been considered discriminatory and offensive by the minority.

"It is an issue on which those who wish to stir up trouble can all too easily do so," he said. He emphasized that the Union Jack remains the province's official flag.

Loyalist figures denounced the proposal, which the government hopes to enact by next spring, as a provocative step that would have the contrary effect of heightening the sectarian passions associated with the rival flags.

Many parts of the minority community have been cowed by the sight of drum-beating loyalists marching through their neighborhoods and waving large Union Jacks to demonstrate majority dominance in their long history of communal troubles.

# NATAL: Home Minister Rejects Proposal for Power-Sharing in Province

(Continued from page 1)

be assured of 40 percent of the seats in the upper house.

The white and Indian minorities would be able to veto legislation affecting their own "language, religion or culture." Disputes would be settled by the nation's Supreme Court.

Home Affairs Minister Botha said that while the National Party was committed to the principle of solving South Africa's problems through negotiation, the Indaba proposals would lead to nothing more than a "typical Westminster system" that would fail to protect the rights of Natal's minorities.

Calling the proposals a "dominating model," Mr. Botha said, "There is no indication of effective and equal power sharing."

■ Poll of Urban Blacks

Nearly three quarters of urban blacks in South Africa would rather see a negotiated approach to ending apartheid than an approach using violence, according to a nationwide poll released Monday.

Only 13 percent of the 598 respondents advocated violence as a solution to ending the country's system of racial separation, according to the poll. It was conducted by Research Surveys, an independent consumer survey organization.

Most of those favoring the use of violence were between 18 and 24.

Seventy-four percent of the respondents said they would prefer a multiracial government to an all-black government.

Research Surveys said it con-

ducted face-to-face interviews last month with a sample of 598 heads of household from a cross-section of blacks in all major metropolitan centers. The firm said the margin of sampling error was less than 4 percent.

But Mr. Bernblatt said that more than half the blacks approached by the pollsters, all of whom were black, were unwilling to answer questions on political matters, reflecting widespread fear and intimidation in many black communities.

# TAIPEI VIOLENCE — Demonstrators scuffled Monday with a man they said was a government agent. They were protesting an airline's refusal to fly a dissident, Hsu Hsin-Iang, to Taiwan from Tokyo. Meanwhile, plans for 20 opposition party rallies were canceled after violence Sunday between the opposition and soldiers.

The failure of the November shipment and the subsequent Iranian complaints came at a time when State and Defense department officials were trying to convince President Ronald Reagan that he should not use arms shipments as a means for opening contacts with Iran or in seeking help to free the remaining American hostages.

In January, the White House received word of the Iranian military's unhappiness with the Hawk shipment, but there was also a hint that if newer equipment were furnished, talks about the hostages could continue, according to sources.

On Jan. 17, according to White House officials, the president signed a secret order authorizing the shipment of U.S. arms to Iran as part of a covert program to open contacts and seek help in obtaining the hostages' release.

In February, according to Attorney General Edwin Meese 3d, the November shipment of old Hawk parts was returned to Israel. In the same month, according to sources, the first U.S. shipment of 500 TOW anti-tank missiles went from the United States to Israel and then to Iran.

All of this year's shipments were routed from the United States through Israel, and in at least some cases were flown circumously from Israel through Europe to Iran.

# HAWK: Shipment of Obsolete Parts Angered Iranians

(Continued from page 1)

is within their ability to continue efforts for the release of other hostages without my help."

"The negotiations continued without me," Mr. Nimrodi said. "At the same time," he added, "my friends and myself were asked to stop dealing with the subject."

Mr. Nimrodi's friends have been identified as David Kinche, the former director general of the Israeli Foreign Ministry, and Al Schwimmer, the founder of Israel Aircraft Industries.

In February, 500 TOW anti-tank missiles were sent to Tehran directly from U.S. stocks and in late May parts for the I-Hawks were sent as a replacement for the rejected November shipment, according to sources.

According to these sources, this new phase of direct U.S. supplies

stripped the White House of the "deniability" it had been able to maintain last year, when the arms were brokered by Israelis and taken from Israeli stocks that were replaced by the United States.

When the direct shipments began, Lieutenant Colonel Oliver L. North of the National Security Council staff was designated as the White House liaison on the issue with the Israeli government. Prime Minister Shimon Peres of Israel selected Amiran Nir, his counterterrorism adviser, to be Colonel North's counterpart.

The White House had been told by the Israeli middlemen before Mr. Weir was freed that all five American hostages would be released. Despite the setback in securing only one hostage, the Israelis were told that a shipment of I-Hawk parts would help to free the remaining four Americans.

The Israelis chose late November 1985 for the shipment, according to one source, in part to mollify the White House after the arrest of Jonathan Jay Pollard, who was eventually convicted of spying for Israel.

When word of the Iranian anger over the obsolete Hawk parts became known in Washington, the former national security adviser, Robert C. McFarlane, and Colonel North "were damn angry at the Israelis for sending old equipment," said one source.

The idea of sending arms to Tehran as a sign of U.S. "good faith" had originated in discussions between Mr. McFarlane and Mr. Kinche in the summer of 1985.

White House officials in the past have said there was a pause in the Iran program about this time last year because Mr. McFarlane, Colonel North and the national security adviser, Vice Admiral John M. Poindexter, were changing their contacts in Iran.

A Washington source said Sunday that Mr. Nimrodi was not involved in the November shipment and that the substitution of old parts for I-Hawk parts came about because of a "misunderstanding by people who didn't know weapons rather than a desire to cheat the Iranians."



TAIPEI VIOLENCE — Demonstrators scuffled Monday with a man they said was a government agent. They were protesting an airline's refusal to fly a dissident, Hsu Hsin-Iang, to Taiwan from Tokyo. Meanwhile, plans for 20 opposition party rallies were canceled after violence Sunday between the opposition and soldiers.

# DEATH NOTICE

The president and members of the board of the Journalists in Europe Fund. The Journalists in Europe Programme Management, staff and participants. The Journalist in Europe Foundations and Committees in Belgium, Canada, Great Britain, France, India, Italy, The Federal German Republic, The Columbia Graduate School of Journalism in New York, The Nihon Shimbusu Kyokai in Tokyo.

The management, staff and students of the Centre de Formation et de Perfectionnement des Journalistes in Paris, announce with profound sadness the death on November 27, 1986, of PHILIPPE VIANNAY

In accordance with his wishes, a final tribute will be paid to him in front of the Crypte du Memorial des Democraties, Square de L'He-de-France, Ile de la Cité, in Paris, on Wednesday, December 3 at 10:30 a.m.

The Journalists in Europe Fund - 33 Rue du Louvre - F 75002 Paris.

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**PARTY: Foreign Policy in 'Shambles,' Republicans Say**

(Continued from page 1)

national Security Council and he ought to do that right away."

He said the president "needs big-league" and that they were "not on that staff."

Mr. Lugar said he "wouldn't rule out replacing" Donald T. Regan, the White House chief of staff, the heads of the State and Defense departments or the director of the Central Intelligence Agency.

"The president has to have a true new beginning, a new administration," Mr. Lugar said. "Literally every policy is in shambles."

Others interviewed split on Mr.

**REAGAN: President Says Independent Counsel Is Welcome, If Necessary**

(Continued from page 1)

arms to Iran to those fighting the Sandinista government."

[Mr. Reagan moved to end ambiguity created last week when he said he had not been "fully informed" about the transfer of funds to the courts, United Press International reported from Washington.]

(Advised by Larry Speakes, the White House spokesman, that re-

**ARMS: Shultz to Meet NATO Allies**

(Continued from page 1)

and Washington but never ratified by the U.S. Senate.

In May, Washington announced it would no longer honor the agreement because of what it said were Soviet violations.

The SALT-2 does have a very decided influence and that's Soviet violations," Mr. Kampelman said Monday, adding that this was why the United States emphasized verification of arms-control agreements at the Geneva talks.

"But I don't think — other than the fact that we will insist on veri-

**Meeting in Paris**

Lord Carrington, the NATO secretary-general, urged Monday that the Atlantic alliance's European partners spend more on defense, Agence France-Presse reported from Paris.

**Israeli Denial**

Prime Minister Yitzhak Shamir's spokesman, Avi Peretz, denied Israeli involvement with the funds, The New York Times reported from Jerusalem.

"We do not know which is the other 'country' the president was referring to," he said.

"But as regards Israel, I can only repeat our statement of last week that the money for the arms transferred to Iran was paid by an Iranian representative to a Swiss bank, in accordance with instructions of American representatives. These funds did not pass through Israel and Israel had no knowledge that any of these funds might be going to the Contras. We know where we stand on this one."

# Gandhi Vows Punjab Plan; 10 More Die In Violence

By Richard M. Weintraub  
*Washington Post Service*

NEW DELHI — Ten more persons were reported killed Monday in the state of Punjab, and Prime Minister Rajiv Gandhi faced hostile questioning in Parliament over the murder Sunday of 22 bus passengers in Punjab.

He promised a new plan of action for Punjab by Tuesday.

At least six of those reported killed Monday apparently were Sikhs, victims of the violence that has pitted militant against moderate Sikhs for the past three years.

On Monday, 15 passengers were killed on the bus by four armed men, and seven others were shot as they tried to escape in nearby fields.

Earlier reports said 24 persons had died, but two of those counted as dead were seriously wounded passengers taken to a hospital.

Most of those killed Sunday were Hindus, although at least one was a Sikh.

A hand-written note left on the bus said the attack was carried out by a group called the Khalistan Liberation Force in revenge for the deaths of four militants killed recently by security forces.

The gunmen escaped on motor scooters driven by accomplices following the bus, according to survivors quoted by news agencies.

Prime Minister Gandhi met early Monday with senior officials from Punjab. He faced pointed questions in Parliament, mostly from the opposition but some from within his own party.

Mr. Gandhi promised a plan of action for the Punjab by Tuesday, but he said he would not renege on the agreement signed more than a year ago with the state's moderate Sikh-led government.

He has been unable to create conditions to carry out the accord. In addition, analysts said that the defeat of moderate Sikhs in elections Sunday for control of Sikh temples had raised doubts about whether the state leadership could push the accord through.

The temple management committee is a powerful body in the Sikh community, wielding great political influence.

Several cities and towns in Punjab were closed Monday after militant Hindus called for strikes to protest attacks by Sikhs, who form the majority in Punjab.



MOLTEN CLOSE-UP — Curious Hawaiians get a look at the lava from Kilauea volcano that overran the Kalapana Highway as it rolled toward the ocean. The seven-mile, waist-high flow destroyed nine houses and on Monday was threatening five more.

# Latin Leaders Walk Tightrope on Rights

## Amid Pressure to Avenge Junta Abuses, New Civilian Presidents Seek Stability

By Bradley Graham  
*Washington Post Service*

MONTEVIDEO — When Uruguay installed a popularly elected president last year, ending 12 years of military rule, the move was widely hailed as a model transition from dictatorship to democracy.

After months of hard bargaining, the military peacefully handed the reins of power to a civilian administration, but with the tacit understanding that no armed forces personnel would be tried for crimes committed while they were in power.

But the neglected issue of what to do about abuses committed by the armed forces has come to haunt Uruguay, dividing its parties, unsettling the military and stirring a profound unease throughout the country.

This situation illustrates a problem faced to some degree by all 10 restored civilian governments in Latin America: how to balance the moral imperative of accounting for past injustices against the political imperative of achieving stable government and national peace.

many Latin American armies to justify military coups.

The doctrine holds that the military's job is not only to protect against foreign enemies, but to intervene in times of domestic political turmoil, especially to combat international Communism.

Argentina's congress is nearing approval of a new defense law that would limit the armed forces' role to guarding against external aggression.

In Brazil, where the military retains considerable power after carefully managing a gradual return to democracy after 21 years of junta rule, the armed forces are deeply involved in the debate on a new constitution. They have made it clear that they want to maintain their control of internal security.

In countries that are still polarized by internal warfare, the military also continues to enjoy a large share of power.

In Colombia, a longstanding civilian democracy, army autonomy has been reinforced as leftist guerrilla activity persists.

In Peru, President Alan Garcia Pérez has moderated his protection of human rights, giving the armed forces more room in combat Maoist-inspired guerrillas.

In Uruguay, the Tupamaros guerrillas have said they intend to operate only within a political framework. But they warned in July that they would adopt a "new position" if the government and the public became "hostages to the military."

President Julio María Sanguinetti has not ordered trials on abuses by the former military government.

He proposed several months ago that amnesty be granted to the military to end the divisive human rights debate before it led to a "death or act of violence."

Mr. Sanguinetti, a pragmatic politician who was himself barred from political activity for eight years under military rule, is aided by two factors that distinguish Uruguay's case.

The military did not leave office disgraced, as Argentina's did after losing to Britain in the 1982 Falklands war.

# Unrest Widens as Haiti Limp Toward Democracy

By Margot Hornblower  
*Washington Post Service*

PORT-AU-PRINCE, Haiti — After the first free elections in nearly three decades, 60 men and women had come from all corners of this impoverished island to undertake the task of writing a new constitution.

But when they arrived Wednesday morning, the room in the whitewashed Legislative Palace where they were to start work was unavailable. Listlessly, they stood on the steps of the palace for three hours in the midday heat. Finally taking their places, they discovered that there were no copies of the draft documents on which they were to work.

"This is nuts," said a delegate, Jean Adler Bassin, as proceedings dragged on into the night over a seal contested by two candidates.

Ten months after the fall of the brutal Duvalier dictatorship, Haiti is stumbling toward democracy, which was handpicked by President Jean-Claude Duvalier before he was overthrown, is run by a lieutenant general who says he wants nothing more than to step down and become known as "Citizen Henri Namphy."

Political parties have proliferated and now number about 70. Freedom of the press is such that when General Namphy's mother was insulted on the radio recently, the government did not blink.

Nonetheless, the languid pace of political change has ignited a feverish impatience among the hungry and illiterate masses of this Caribbean nation, the poorest country in the Western Hemisphere.

Presidential elections are not scheduled until November 1987, with the president to take office on Feb. 7, 1988, the second anniversary of Mr. Duvalier's overthrow.

A crippling strike, angry street demonstrations, school boycotts and an incipient tax

revolt in the countryside have led to fears that the democratic process could be thrown off course.

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Namphy has earned the confidence of the Haitian people and the international community by his sincere commitment to build democratic institutions and hand over power to an elected successor.

But Hubert de Ronceray, a sociologist and a presidential candidate for the moderate Mobilization for National Development Party, said that despite the calm of the past week, it was probable that the government would fail.

"The people are unhappy," he said. "There is a hardening on both sides, by the masses as well as by the government, which sent tanks into the streets during the strike."

According to Mr. de Ronceray and other Haitians, the discontent is focused on the government's failure to hunt down many former leaders of the Tontons Macoutes, the Duvaliers' secret police militia, who are thought to be responsible for the murder of more than 10,000 Haitians.

Plain misery, however, fuels much of the popular anger. On the streets of the capital, teen-age girls beg with glazed eyes. Men open manhole covers and bathe in the sewers.

The unemployment rate is 60 percent, and per capita income is about \$300 a year.

Georges Salomon, a former foreign minister, said he saw no danger that the government would be overthrown.

"A few million dollars, well-placed, can calm the hunger and misery," he said. "But the unrest will continue, he predicted, because 'certain opposition groups think they can profit from the chaos.'"

"The elections will be free," Mr. Salomon added, "but free for everybody to cheat."

However unpopular General Namphy's government may be, no opposition leader has captured the public imagination. Even the government's most vociferous critics fear that a change could bring a more repressive regime.

# Gorbachev's No. 2 Softens A Hard Line

By Gary Lee  
*Washington Post Service*

MOSCOW — Yegor K. Ligachev, the senior Politburo member whose name has become a synonym for hard-line Kremlin policy, has spent the past month defying his own reputation as the ruling body's leading conservative and guardian of Soviet orthodoxy.

The Soviet Union's chief ideologist has long struck Western Kremlinologists as a brake on the pace of economic and social change advocated by the Soviet leader, Mikhail S. Gorbachev.

But lately, Mr. Ligachev has shown a willingness to liberalize Soviet arts and to embrace Mr. Gorbachev's social experiments with gestures of political support that appear to challenge the Soviet leadership's mandate for far-reaching reforms.

Widely regarded as the most powerful figure in the Soviet Union behind Mr. Gorbachev, Mr. Ligachev, 66, assumed the leadership of the country during Mr. Gorbachev's visit last week to India.

He has already stocked some Soviet ministries and the influential Central Committee staff with enough recruits from his native Siberia to pose a serious challenge to some of Mr. Gorbachev's more controversial initiatives.

But in a Nov. 6 speech before Kremlin leaders, Mr. Ligachev reiterated Mr. Gorbachev's calls for broadening social democracy, supported his program of economic and social "reconstruction" and echoed his pledge to pursue a dialogue with Washington following the Reykjavik meeting.

Mr. Ligachev also has demonstrated a personal role in the more liberal Gorbachev policies with his apparent support of "Repentance," the anti-Stalinist film that impressed the Moscow intelligentsia as a signal of liberalization in the arts by treating the once-taboo subject of the dictator's repression. It was reportedly Mr. Ligachev who pushed the film through the censors.

Mr. Ligachev further identified himself with the Gorbachev style and policies during a mid-November trip to Finland that left Finnish officials describing him as "open."

Mr. Ligachev's support for Mr. Gorbachev comes amid attacks by the Soviet leader against the so-called "resistance of the foot-draggers" or opponents of change within the Communist Party.

Both men were elevated to the Politburo by the former Kremlin leader, Yur. V. Andropov, and Mr. Ligachev's moves are viewed by some Western diplomats in Moscow as evidence of new cooperation

# Detention by Romania Said to Undermine UN

By Lisa Schlein  
*Special to the Herald Tribune*

GENEVA — United Nations diplomats are concerned that the detention of a Romanian diplomat by his government could undermine the organization's independence.

Liviu Bota, 49, director of the UN Institute for Disarmament Research, has been prevented from leaving Romania since he was recalled by his government for consultations on Dec. 24, 1985.

"While Liviu Bota's human rights are of concern, the larger issue is the independence of the UN secretariat," said Richard Butler, the Australian delegate to the UN for disarmament.

Romania has spurned requests by the secretary-general, Javier Pérez de Cuellar, to permit Mr. Bota to return to Geneva. Bucharest contends that Mr. Bota resigned his UN post and accepted a position in the Romanian Foreign Ministry. Mr. Bota has denied this.

Mr. Bota's recall to Romania has left the disarmament research institute "unable to do its job," said Mr. Butler.

"More importantly," he said, "it raised the terrible prospect of the UN secretariat being leased out by countries and being told what to think, what to write and what to report."

Another diplomat, who also asked not to be named, said that the Bota affair "questions the authority of the secretary-general."

In mid-November, 10 countries submitted a resolution to the Political Committee of the General Assembly that asked Romania to authorize Mr. Bota's return to Geneva. During the debate, the chief Romanian delegate to the UN, Teodor Marinescu, accused Mr. Bota of espionage.

Mr. Butler said many people were outraged at the charge. After intense lobbying, the Romanians succeeded in adding to the resolution two amendments that strongly implied that Mr. Bota was a spy. This forced the sponsors of the resolution to vote against it in its amended form.

The Romanian government has not charged Mr. Bota with espionage nor have any judicial proceedings been initiated against him. When Mr. Bota's contract expires at the end of this year, he will no longer be under UN protection.

Mr. Bota's wife Sandra, who lives in Geneva, broke her silence on the affair, saying: "Someone has to defend my husband. I want to explain, to cry out that my husband is innocent of this accusation which is violent, cruel, unrealistic."

Mrs. Bota said that before her husband was recalled to Bucharest, the Romanians made inquiries at the disarmament institute to see whether they could name another Romanian to succeed her husband as director.

"I think that somebody would have to have his post," Mrs. Bota said. "I think they misjudged the situation."

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Five days later, transportation workers called a strike in an effort to force the government to prosecute a soldier who had killed a truck driver in an argument. A coalition of leftist groups that advocates an overthrow of the government organized a general strike, shutting down schools and factories for five days.

To help alleviate the economic distress that has fueled the unrest, the United States has sharply increased aid to Haiti. At least \$100 million in U.S. aid is expected for fiscal year 1987, including \$4 million for nonlethal military equipment.

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# Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

## Cease-Fire for Filipinos

President Corason Aquino has followed up her political triumph in firing her ambitious defense minister by securing the government's first agreement for a cease-fire with the Communist guerrillas in the 17 years of their rebellion. This gives her a double win to confound the doubters, and leaves her with welcome momentum as she heads into the next phase of her struggle.

Mrs. Aquino ran for president promising to try to reconcile the insurgents—who are carrying on warfare in four-fifths of the provinces, wield political control in one-fifth of the villages and can bring immense crowds into the streets in the cities. This is the base on which they have been demanding to take over national power and to make over national life in their Marxist image. President Aquino, however, is not without her own assets: the nationwide standing she demonstrated at the polls; the support for Philippine democracy that she has generated from the United States, Japan and other friendly countries; her evident show of political steel and skill in dealing with threats of a coup. When, under the urging of her loyal but impatient military, she gave the guerrillas a week to come to cease-fire terms, they obviously decided she meant business.

In the talks that produced a 60-day truce,

the government was eager to obtain the insurgents' respect for its authority, while the insurgents sought the government's acceptance of their legitimacy. The outcome was a compromise whose dimensions and durability will no doubt be severely tested from the moment it takes effect. If a ragged but acceptable form of coexistence can be made to work between two well armed forces harboring a deep mutual hostility, then the harder part—talks on the Philippines political future—can begin.

As the elected head of an open democratic government, Mrs. Aquino has the right and duty to demand that the insurgents join the political process. Those whose alienation was triggered by the offending policies of former President Ferdinand Marcos may respond to the more appealing policies of President Aquino. But it may be different for those whose rebellion is inspired by the vision of a very different, Marxist society. There are, in fact, no successful models for the accommodation she is attempting to bring about. Her challenge will be to show openness and magnanimity to those who are prepared to live in a democratic house, in order to prepare herself for further stern tests against those who are not.

—THE WASHINGTON POST.

## A Hard Job for Kinnock

Neil Kinnock, leader of Britain's Labor Party, has a difficult trip ahead of him. His party has pledged to ban nuclear weapons from Britain, both its own and America's, if it should come to power in the election that will probably be held next year. The purpose of his visit to the United States this week is to persuade Americans that a Britain divesting itself of nuclear arms would remain a reliable ally and a serious deterrent to Soviet adventuring. He is unlikely to succeed in any part of that mission.

Americans, contrary to the view widely entrenched on the European left, do not love nuclear bombs. The bombs are hideous weapons that give pause to even the most callous commander of any country's armies. They have one purpose, to keep peace, and they have kept it for more than four decades in Europe, a continent that suffered grievously in two great wars.

It is possible to defend Europe without nuclear weapons. Many military officers, including Americans, have said so. But to achieve the same balance, the Western allies would need many more men under arms and much more money. Mr. Kinnock will speak to that point. He will argue that as prime minister in a Labor government he would cancel the Conservatives' plans for new Trident missile submarines and use the money to augment conventional forces. But the opposition to all military spending has been rising in the Labor Party. It is altogether implausible that Mr. Kinnock will

power could match the Conservatives' military budgets, let alone exceed them.

If Britain ruled out all nuclear weapons, including the American weapons now at British bases, the United States would not respond by retreating into isolation, as some Europeans fear, or by pulling all its troops home from Europe. But it would have to conclude that Britain had begun to think of itself as a small country, like Denmark or New Zealand.

The United States has the military power to protect Europe as long as the United States has allies there, and as long as it has allies it will work with them. If Britain refuses to share the responsibilities for the West's nuclear defense and the world's nuclear peace, NATO will not instantly crumble. But in the absence of America's closest European friend, the job of maintaining that balance would be more disagreeable.

The strength of the Western alliance has never been purely or even primarily military. It has always depended on qualities of spirit and political conviction to which the Europeans' contributions have been essential. Mr. Kinnock is doubtless right in thinking that, at least in the short run, nothing very dramatic would happen if he came to power and carried out Labor's promises. But he would be quite wrong to assume that a Britain moving toward unilateral nuclear disarmament would mean a safer or more stable Europe.

—THE WASHINGTON POST.

## Other Comment

### An Impaired Ability to Govern

The sale of American arms to Iran, compounded by the fact that the profits made from it have been sent to the "contras" fighting the Sandinist government in Nicaragua, is steadily escalating into a major White House crisis and we are possibly seeing only the tip of the iceberg. It will not be surprising if the involvement of [White House Chief of Staff Donald] Regan is proved, and he is forced out of office.

During the past six years President Reagan had ridden a crest of popularity, but the mass of information that is steadily being uncovered is bound to affect him. When the various committees of Congress begin their investigations, they will certainly delve into the matter with a vengeance. This might not hurt Mr. Regan as much as it did Richard Nixon, but his ability to govern will be jeopardized. If that happens, he will lose his ability to negotiate arms control proposals with the Soviet Union, the financial backing for his Strategic Defense Initiative and his strong stand against Congress in matters concerning trade protectionism.

—The Nation (Bangkok).

### Pressure Persuades Barclays

Barclays' wise decision to pull out of South Africa is one of the most spectacular successes ever won by pressure group politics in Britain. When Anti-Apartheid began its campaign in 1969 to persuade the bank's customers to switch their accounts, it was dismissed as quixotic: a small rabble of idealists presuming to change the investment policy of a powerful multinational corporation. But slowly a moral climate was created in which such pillars of circumspexity as the Methodist Church, the universities and even some Tory-led local authorities felt obliged to switch. Anti-Apartheid estimates that Barclays lost accounts with an annual turnover of £7 billion.

It has become fashionable on the right to complain about pressure groups [but] there is no reputable doctrine that requires representation in Parliament as an admission ticket to the democratic process.

—The Observer (London).

### Funding to Combat AIDS

The World Health Organization will have to do more than just collate statistics on the disease. It will have to marshal funding for diagnostic equipment and treatment in countries that do not have the wherewithal to meet the threat.

Countries which have already been hit hardest have made it compulsory for blood donations to be screened for AIDS. Such screening requires equipment which developing countries can ill afford but which must be made available to them if the fight is not to stop short at their borders.

Malaysia, along with other countries, must meet its responsibilities to itself and the world. Given the situation, there should be no delay in seeking assistance.

—New Straits Times (Kuala Lumpur).

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## OPINION

# The Prospect for a Shaken Presidency: Lost Opportunities and Increased Risk

By Lawrence Eagleburger

This is the first of two articles.

NEW YORK — Arms sales to Iran, or the funding of the "contras" from the proceeds, do not a Watergate make. Nor is Lieutenant Colonel Oliver North the functional equivalent of a John Dean or a Gordon Liddy. But that is small consolation for those of us who saw at first-hand how difficult it was to manage foreign relations in the Watergate era of presidential weakness and who have the uneasy feeling that we may be about to relive the experience.

Much damage has already been

done. To describe terrorism policy today would be like describing the second voyage of the Titanic—non-existent. President Reagan's policy of support for the "contras" may soon be in the same boat. Nor is the psychological damage insignificant: European allies are aghast, moderate Arab states confused and frightened, and the Soviets gloated. Were this all the administration had to contend with it would be bad enough, but manageable with skillful diplomacy and steady executive leadership.

But it is apparent that the bloodlet-

ting has just begun. There will surely be further revelations of ineptitude and misconduct. Congress will hold hearings for months to come. Pundits in and out of Congress will call for legislation that, in order to assure that "this cannot happen again," will further reduce the power of the president to manage foreign affairs.

It is hard to see, in these circumstances, how it is possible for the president to avoid both the appearance and the reality of weakness as he enters his final two years in office.

**American credibility is nonexistent and unlikely to be regained during the life of the administration.**

Reagan-haters may find joy in this conclusion, but I cannot, for it will mean not only less foreign policy opportunities but increased danger. The Soviet Union has shown an uncanny inability to control its appetite when America is weak and indecisive, as Cuba, Angola and Nicaragua demonstrate. While one may hope that Mikhail Gorbachev will prove to be different from his predecessors, one ought not count on it. Indeed, that mis-adviser of the Politburo on things American, Georgi Arbatov, has already made a tasteless

speech poking fun at the president. Since Mr. Arbatov seldom utters a word without the permission of his betters, we can assume that mouths in Moscow are already watering.

If the Iran affair proves to be as debilitating as I fear, you can bet that similar comments will turn to destabilizing actions. The Soviet propaganda machine will sweep overtime, particularly in Western Europe and the Middle East, to convince neutral and friendly governments that Washington is not the place to look for steadiness and sophistication—a not unreasonable proposition. And if those in Congress who oppose contra aid have their way, thereby sewing off the limb the contra war was persuaded to climb out on, an escalation of Cuban and Soviet support for the Sandinists will not be far behind.

The possibilities are legion and the lesson clear: A president with his foreign policy apparatus in shambles, hard-pressed at home to defend his actions and unable to react decisively to new foreign challenges, is an open invitation to Moscow to embark upon adventures that it would otherwise be reluctant to pursue.

We should not be surprised, however, if we see a different approach on the part of Mr. Gorbachev when he decides that now, with Mr. Reagan badly in need of a success, is the time to demonstrate "flexibility" in the hope that he can lure a heavily pressed president into a return to something like the Reykjavik formula that Mr. Gorbachev so unwisely let slip through his fingers in September. Domestic and allied reactions to the Iceland summit may have sobered Mr. Reagan and his advisers to the point that they cannot be lured back to the sweetly tempting but perilous negotiations that came so close to accepting there, but the Soviets have little to lose by trying.

Unless you are a released hostage, it is impossible to find any redeeming quality in the Iran adventure. If you are a moderate Arab, it is hard to imagine how the fallout from the folly could be worse. Without exception, the regimes close to the United States in the area have looked upon Ayatollah Khomeini as the greatest threat to their continued existence. They have done what they could to prop up a faltering Saddam Hussein in Baghdad, recognizing that an Iranian victory in the Iran-Iraq war would open the floodgates of Moslem fundamentalism and Iranian aggression.

They thought, this was a view Washington shared, until Washington was caught with its hands in the cookie jar. It is hard to argue that 2,000 missiles and a few Hawk batteries are "defensive" weapons, no matter what Washington says. But what is important is the psychological impact of support for Iran.

American credibility is nonexistent and not likely to be regained during the life of the administration. And with it probably goes whatever chance there might have been of moving the Middle East peace process forward. In a more negative sense, and putting aside whatever military and psychological impacts American actions may have on Baghdad, it is a relatively safe bet that those Arab regimes most vulnerable to Iranian pressure (Saudi Arabia and the Gulf states, for example) will, in the future, be more accommodating to Tehran, and less dependent on their support from the United States. In other words, shot itself and its friends in the foot and will be plagued with the limp for some time.

The damage does not end, particularly Honduras, El Salvador and Costa Rica, who have supported or gone along with U.S. policy on Nicaragua must now be wondering what happens next, knowing full well that the diversion of funds to the anti-Sandinistas probably means the end of congressional support for the contra.

Allies in Europe, already shaken by Reykjavik, can have little confidence left in the way Washington makes policy. Having lived through the debilitating that accompanied the Vietnam and Watergate, they wonder whether they will have to go through it all again. Alliance relationships are by no means on the verge of collapse, but the last several months must have added their weight to the slow but steady decline in trans-Atlantic confidence and cooperation. And since that deterioration in the intimacy of the relationship of the Western democracies may be one of the most serious foreign policy problems the United States will face by the end of the century, anything that adds to the decline must concern us greatly.

How did we get into this mess?

The writer, a former U.S. undersecretary of state for political affairs, is president of Kissinger Associates, a New York consulting firm. He contributed this comment to The Washington Post.

## The 'Contra' War Is Over, So Give Contadora a Try

By Pete Hamill

MEXICO CITY — No matter what else happens in the unraveling melodrama in Washington, one thing now seems certain: The Sandinists have won their war against the "contras." The fighting will go on for a while. Soldiers and civilians will die; schools and granaries and bridges will be destroyed. But if the goal of war is victory, this one is over.

It ended on that bleak Tuesday when Ronald Reagan and Edwin Messe walked into a briefing room to relate their squalid tale of the diversion of funds from the Iran arms deal to the contra, or rebel, army. Almost certainly Mr. Reagan will not get another dime for his grimy Central American crusade. And on their own the contras cannot win. It's over.

Analysts in Mexico figure that there is enough money in the contra pipeline to sustain the killing for another year; much of that famous \$100

million has not yet been spent. The contras can make a few bloody public-relations raids into Nicaragua, they can pose for photographers while swinging from trees near Egin Air Force Base and they can mount press conferences in Miami.

But the Democratic Congress will not vote them more money, and the wounded president will not risk losing everything by sending more secret funds to the rebels.

What President Reagan must do now, a middle-level Mexican diplomat said the other day after he had scanned the Washington stories on the front pages of the newspaper in Mexico City, "is to get out of the Nicaragua mess with grace."

This will not be easy. There are an estimated 15,000 contra soldiers camped in the privileged sanctuaries

of Honduras. They are essentially wards of the United States. Their leaders range from true democratic idealists to old Somoza killers, but they have at least one trait in common: They can count. The notion that they will continue fighting until the last dollar is spent can only provoke dark laughter. They and the money will almost certainly leave the battlefield together.

Their future is predictable. There will be further visits to the Cayman Islands. Contra leaders will peddle their anti-Communist martyrdom on grants from rightist foundations. Miami will vibrate with defiant oratory. Back in the hills of Nicaragua and Honduras, a few last platoons will fight on, reduced to a form of banditry. The rest will drift back home or enter the permanent loneliness of ex-

ile. Friends and relatives will mourn the dead. Nobody in the United States will even learn their names.

The essential question now is whether Washington will learn any lessons from the disaster. Mr. Reagan committed a cardinal sin: He allowed zealots to make policy, men whose self-righteous passions allowed them to break the law. From the beginning Mr. Reagan's Nicaragua policy was a combination of 1950s anti-Communism and 1920s gumbot diplomacy.

Worse, the policy was informed by an untested Anglo-Saxon contempt for the Catholic, Spanish-speaking, underdeveloped south. The Reagan people paid lip service to the efforts of the Contadora Group—comprising Mexico, Venezuela, Colombia, and Panama—to work out a regional settlement, but did everything possible to wreck the process.

Insisting that Central America was an East-West battleground, the hard men in Washington sneered at such local concepts as "national sovereignty" corrupted the governments of Honduras and Costa Rica and broke the laws of the United States.

If there was one lesson of Vietnam and Watergate, it was this: Illegal or immoral policies, no matter how even, the best and the brightest. The Reagan people did not learn it.

Today the Contadora Group resembles one of downtown Mexico City's buildings damaged in the 1985 earthquake. The basic structure is intact; it needs only the will, the care and the grace of thoughtful men and women to return it to full usefulness.

The Reagan people should close the contra training camps, turn over the peace process to Contadora and abide by the results. These could involve the removal of all foreign military personnel, including Cubans and Americans, from the region; amnesty for all guerrilla fighters; the neutralizing of Nicaragua on the Austrian model and the creation of a Central American Marshall Plan to repair the wreckage of war.

All these things should be done as quickly as possible for one simple reason: The contra war is over, and nobody else should die.

The writer, a novelist and veteran newspaper columnist, has recently been working with the English-language Mexico City News. He contributed this comment to the Los Angeles Times.

## Against the Yellow Ribbon Syndrome

By Mike Royko

CHICAGO — There are neighborhoods in Chicago that are so dangerous, even criminals are afraid to walk the streets. Sensible people stay away.

But say that I decide to wander these streets late at night—maybe to soak up atmosphere for a column or a book. And say that while I'm strolling, some profit-motivated lads spot me and decide to divert me of my wallet, watch and ring.

Later, as I'm being patched up in an emergency room, the cops and the American newsmen ask why I was in that scary neighborhood at night.

When I give my reason, they would surely say, "You've got to be off your rocker." And if I were honest, I would have to agree.

It is not as if I were a cop, a fireman, a postman or a meter reader—people who have to go to such neighborhoods as part of their jobs. Or someone who is forced by social and economic conditions to live there. I have a choice.

And the sensible choice would be to stay away and find something else to write about.

What I'm working up to is what I call the Yellow Ribbon Syndrome—America's tendency to raise the

freedom of hostages to a national priority. From the White House to the corner saloon, we seldom hear anyone ask one obvious question: "Why, what were those hostages doing in Lebanon in the first place?"

We don't hear it because it comes off as kind of callous.

But now that the emotional need to release hostages has led the nation's president to pay a ransom to Iran, the question should be asked. One of the few who have asked it and provided an answer is Mark Heller, a visiting professor of government at Cornell University. In an essay in The New York Times, he points out that those who have been taken hostage in Lebanon did not have to be there.

They were there because of career opportunities or a personal or religious sense of duty. But it was their choice. They knew the dangers, they knew they were potential hostages, but they went and stayed. As a result, Mr. Heller says, America is now sacrificing its national interests for a few individuals.

His solution is for the country to

stop assuming responsibility for private citizens who choose to expose themselves to this danger. It might sound coldhearted, but it is as sensible a proposal as I've heard.

The alternative is an endless cycle: The terrorists kidnap, we pay, they release, they kidnap again, we pay, they release, and so on.

In the United States, many people have no choice but to live in dangerous surroundings. An old person on a thin budget might prefer living in a quiet suburb, but he must settle for a tenement instead. Honest people dodge bullets and run for their lives in stairwells of public housing projects. They have nowhere else to live.

And when they are hurt or killed, they get three paragraphs in the newspapers. We shrug and say that's life in the big, bad city.

But when a clergyman or an educator chooses to travel several thousand miles to stick his head into a lion's mouth, the White House goes into the ransom business.

Maybe it's time to put the yellow ribbon away. Or else to wave them as well for the little old lady who just got mugged in her own kitchen.

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## Both Sides Need Foreign Investment in the LDCs

By J. William Middendorf 2d

The writer is U.S. ambassador to the European Communities.

BRUSSELS — The acrimonious debate at Punta del Este in September over agriculture and services overshadowed another important step forward for world trade: the inclusion of trade-distorting investment practices in the Uruguay round of multilateral trade negotiations.

Although 200 bilateral investment treaties exist worldwide, trade-distorting government investment policies, most commonly found in the Less Developed Countries, are still not subject to effective multilateral discipline. The Uruguay round offers industrial countries a golden opportunity to work with LDCs to eliminate such detrimental practices as local content rules and export performance requirements.

Member countries of the General Agreement on Tariffs and Trade are to meet on Saturday to organize the parallel negotiating groups for the Uruguay round, including the group on trade-related investment.

In recent years, barriers discouraging job-creating foreign investment in the LDCs have exacerbated the debt crisis by making these countries overly dependent on bank borrowing. If the LDCs are to play a catalytic role in the future, such barriers must be removed. With developed countries fighting among themselves over nearly saturated markets, the rising unsatisfied demand of the LDCs—with 75 percent of the world's population, and unemployment of up to 40 percent—holds the greatest hope for new markets.

Rapidly improving communications are beginning to awaken these demands. One example is what I call the "Dallas" factor. I am continually advised here that the appliance glutted in this television show raises consumer expectations.

To encourage savings flows to the LDCs, we have to work bilaterally and multilaterally toward a more liberal, market-oriented international investment system in which the principles of national and Most Favored Nation treatment for foreign investors are guaranteed. Foreign investors should be treated as favorably in like situations as domestic enterprises, and foreign investors from all nations should be treated equally.

These flows will not come unless there is adequate protection of an investor's property. Unfortunately, the post-World War II period has seen a sad history of expropriations of foreign investments by the LDCs, discouraging job-creating investments and contributing to massive capital flight—an estimated \$130 billion from Latin America alone.

Basic LDC structural reforms are called for, including the establishment of more efficient domestic capital and equity markets; reduction of onerous foreign exchange controls; institution of growth-oriented tax reform; and privatization through sale, liquidation or debt-equity swaps of cash-draining public enterprises which often control more than half of national production.

With an improved investment climate, Morgan Guarantee Trust Co. estimates that five of the leading debtors—Brazil, Mexico, Argentina, Chile and the Philippines—would have a \$5-billion a year potential for debt-equity swaps. They have already swapped roughly \$3 billion of their debt, according to Morgan Guarantee. The White House Task Force on Project Economic Justice, which I

have the honor to chair, believes that expanded employee ownership in privatized concerns, combined with debt-equity swaps, would contribute significantly to LDC solvency and make these countries more attractive for investors. The task force will make its recommendations shortly to President Reagan.

I am happy that several high debt countries now see job-creating new foreign investments as the only viable alternative to bank financing and are developing structural reforms. The borrowing binge of the '70s has made it virtually impossible to add materially to their debts. They also realize that there are no fixed interest payments, and earnings are repatriated only if the investment is profitable.

Foreign investment can be a powerful engine for export growth. In the United States, foreign investment accounts for 3 percent of the work force (2.6 million) but contributes to 30 percent of exports. In short, foreign direct investment is perhaps the last remaining source of new capital, technology and management know-how on a scale needed for long-term sustained Third World growth.

It is a startling fact that 95 out of every 100 persons born in the next 20 years will be born in the developing world. If the world were a corporation, could its sales manager overlook 95 percent of its potential customers? With structural reforms and the catalyst of foreign investment, the developing countries could become the world's most dynamic markets, requiring vast imports to fulfill the rising expectations of their populations. One example of this potential: While

the developed world is saturated with appliances we take for granted, such as refrigerators, one in 10 would be lucky to have such an appliance in much of the developing world.

But one trade minister here cautioned me, "Invest in them and they'll flood us with cheap imports." That is partially true—and yet in recent years the big exporting Newly Industrialized Countries (NICs) of the Pacific basin have joined the list of the world's top 20 importers.

I am convinced that when the LDCs begin to realize their true potential, the global economy will receive a stimulus comparable to the surge that took place after World War II. It can come none too soon.

International Herald Tribune.

## IN OUR PAGES, 75 AND 50 YEARS AGO

**1911: Trial for Bombing**  
LOS ANGELES — James B. McNamara, with his brother John J. McNamara, is on trial in connection with the dynamiting of the Los Angeles Times offices on Oct. 1, 1910, which caused the death of 21 persons. He pleaded guilty [on Dec. 1] to the charge of murder. James McNamara, John McNamara, secretary-treasurer of the International Association of Bridge and Structural Iron Workers, and Orle E. McConigal face 19 murder indictments. The latter two men were to be tried when the case against James McNamara should be disposed of. The newspaper's owner, General Harrison Gray Otis, has for many years waged warfare against trade unionism. John McNamara has confessed to the blowing up on Dec. 25, 1910, of the Llewellyn Ironworks, another "open shop" here.

**1936: Americas for Peace**  
BUENOS AIRES — Addressing words of hope not only to "the members of the American family" but to the nations of Europe and Asia as well, President Franklin D. Roosevelt opened the Inter-American Peace Conference here [on Dec. 1] by declaring his confidence in the power of the United States to prevent war through the Old World to avert war. The President called on the 21 democracies of the Western Hemisphere to cooperate with the United States in a post-preserving program whose aim would be "to prevent any future war amongst ourselves" and "to prevent the creation of those conditions giving rise to war, as well as to perfect the mechanism of peace." He said: "I am profoundly convinced that the plain people everywhere in the civilized world today wish to live in peace."

OPINION

This Mess Calls for a Special Prosecutor

By Anthony Lewis

BOSTON — In the political turmoil of the last 20 years the press has often been accused of destroying the president. The truth in every case has been what we see so clearly now: The president destroyed himself.

In each case the fall has come the same way. A president gripped by the sense of his own righteousness and power brushed the rules aside to have his way. Lyndon Johnson sent 500,000 men to Vietnam, after campaigning against a wider war, on the pretext of a Tonkin Gulf incident that did not happen. Richard Nixon ordered the secret bombing of Cambodia, and to cover his tracks went down the road of lies and lawlessness. The roots of Ronald Reagan's disaster lie in Nicaragua. He was obsessed by the desire to overthrow the Sandinist government. To that end he aided terrorists. He mocked international law and the constraints laid down by Congress. All that makes it laughable to suggest that responsibility for the funneling of Iranian money to the "contras" stopped with Lieutenant Colonel Oliver North.

The president laid down the policy of aiding the contras by any means. If a subordinate took the policy seriously, the president is responsible, whether or not he knew the details. If a subordinate showed contempt for the checks and balances of American government, he was only following the president's lead. Of course it would be interesting to know more about Oliver North. For he must be one of the most amazing performers to hit Washington in years: a regular superman. All on his own this Marine Corps colonel made the intricate financial arrangements to get millions of dollars' worth of weapons from United States stocks and have the money repaid. He went to the armories and packed all those weapons into crates: 2,008 anti-tank missiles and 235 anti-aircraft missiles. He arranged the shipping and did all that without anyone in the Defense Department knowing a thing about it, or anyone in the White House except, vaguely, John Poindexter. That is what we are supposed to believe.

The new White House strategy for dealing with the crisis is reminiscent of that Watergate coxswain, "the modified limited hangout route." We get a degree of candor but still, by all signs, with the aim of keeping the cap on the bottle. The appointment of a review commission to study the operations of the National Security Council staff is a serious step. Especially with Brent Scowcroft, a respected former national security adviser, as a member, it could do much to plumb the corruption of that institution. But no one can believe that the facts

of all the underhanded dealings with the contras and Iran are going to be brought out by Attorney General Edwin Meese. The very reason for the statute calling for the appointment of a special prosecutor is that there may be a conflict between the political attachments of high Justice Department officials and their duty to enforce the law.

**The truth, or much of it, will come out eventually.**

Few have had a closer attachment to a president than Mr. Meese. There can be no confidence that the law is being enforced in this matter until a special prosecutor is appointed. If Mr. Meese tries to stonewall about that, he will be making a fatal mistake. Watergate surely taught everyone that damage-limitation tactics only intensify public skepticism. The unraveling process will go on. Con-

gress and the press will be digging. It is better for the administration to face, at once, the pain of a special prosecutor.

The administration's real worry must be the Nicaragua story, for there Mr. Reagan is on the line. He called the contras the "moral equal of our founding fathers." He ignored strong evidence of illegal links between officials and so-called private aid to the contras after Congress cut off U.S. funds.

Colonel North was named long ago as a manager of supposedly unofficial help for the contras. Since the supply plane was shot down in Nicaragua and Eugene Hasenfus captured, there has been much other evidence of connections — and of terrorist involvement.

Mr. Hasenfus has identified his boss as Luis Posada, who was convicted in Venezuela of blowing up a Cuban airliner with 73 people aboard. The truth, or much of it, will come out eventually. That is the way America works. As it comes out, it will hurt. Presidents who consort with terrorists and ignore the law seal their own fate.

The New York Times



Watch on the Rhine

Gathered In Like the Sheaves Of a Ritual Family Harvest

By Ellen Goodman

BOSTON — My friend went home for Thanksgiving. We were gathered in like sheaves, she says. It happens every year. A brother comes by plane, a cousin by car. Relatives are assembled to renew their annual pledge as gene-carrying members of the same clan. This is the modern harvest, I tell my friend. Her family, like others, spends

that single-person households are the fastest growing category in America. We live most of the year in small digits now: by ones, twos, threes.

The old and the young choose independence. Generations work in different occupations, retire to distant places. We cultivate privacy in modern America. Then we long for rituals of intimacy. I am sure it was different in the days of the Pilgrims. They celebrated the first Thanksgiving as a whole community. There was no single-person household in Plymouth Colony. Families were taken for granted. But the community was something that sustained them.

At some point, Americans began to retreat from community. In the 19th century we described the family as the "haven in a heartless world." In cities, we sought a harbor in extended families. Now these are subdivided. We live in nuclear families or none. More of us are on our own. We may have family names, but we have our own identity.

The definition of home has been reduced to Robert Frost's lines: "Home is the place where, when you have to go there, they have to take you in." It is an image of family as a last resort.

Yet we, the separatists, also share a primal desire to be part of a clan. In memory and mythology, we cherish an image of home and family, large and welcoming. We prefer to believe that home is where, when you want to be there, they wait for you.

It is this longing to be connected that brings us back to the people who have a legitimate title to our lives: mother, grandfather, cousin. It is this longing that sends us to the oral historians of our own families. It is the desire that makes us constantly recreate the circle.

Membership in an extended family is not required in America. Families who do not live within commuting distance of each other's emotions have to choose to renew their membership in a family or it will lapse.

We can only hold to the name of family when we actively celebrate ourselves, tell each other stories, and pass the sense of oneness onto our children. It is the traditions we constantly create that become the special glue to hold us together over time and distance.

My friend is not just a passive sheave being gathered to her clan. She is an eager part of this harvest. She went home for the reason we all go home: She doesn't want to become a stranger. Washington Post Writers Group.

MEANWHILE

most of the year scattered. They collect for Thanksgiving bearing bridge chairs and port-a-crisis, extra spoons and collective memories. It is not the excess of food on their table that signifies a holiday gathering anymore. It is the people who come together to share it and share each other. People who are a family. Somewhere deep in the Census Bureau, there are computers that report

An Insult to Intelligence

Regarding the report "U.S. Denial of Visas: First Amendment vs. the Public Interest" (Nov. 18) by David K. Shipler:

The article gave me some thoughts about one of the many differences between France and the United States. After having lived in France on and off for 15 years, I have come to admire the intellectual freedom of French society. France has a devotion to the free exchange of ideas and a great reverence for the debating forum. Neither is it without a passion for an especially well articulated argument. Indeed, thinking seems to be an important pastime in France. One feels strongly that France takes pride in the intelligence of its citizens.

The continuing application of the McCarran-Walter Act reveals a different sensibility. It will only keep America more uninformed and isolated from an ever-changing world which depends more and more upon the free exchange of diverse ideas. By denying visas to certain persons on political grounds, America not only engages in censorship but discourages open debate. By screening information, the U.S. government reveals its fear and disapproval of an open-minded society. It is a great shame that the most powerful nation on Earth operates as if it had no trust or interest in the intelligence of its own citizens.

Richard Wolin, Paris.

Christopher Coffey, Aix-en-Provence.

LETTERS TO THE EDITOR

Poland and the Holocaust

Your Nov. 8 feature "Remnants: Poland's Jewish Survivors" attracted two letters in your Nov. 22 edition, to which I would like to respond.

One, from Elwood A. Rickless, takes exception to the use of the term "Nazi soldiers," claiming that its use indicates the infiltration of Orwellian newspeak into your pages. The term "Nazi," Mr. Rickless argues, refers to members of a political party founded by Adolf Hitler. Hence, the soldiers in question responsible for atrocities throughout Europe were certainly far from all Nazis.

Not so fast. As early as 1935, Hitler had eliminated all opposing political parties. The result, a year later, was totalitarian rule by the Nazi party, which subsumed the German state. Although they may not have been card-carrying members of the Nazi party, the German soldiers of the period were fighting under the direct auspices and dictates of the party. Thus there is no small measure of justification in referring to them as Nazi soldiers.

More serious is the letter from Peter Galezewski, who attempts to mitigate Polish complicity in the Holocaust by citing the large number of Poles who themselves were victims of the brutal Nazi occupation. "This challenges the underlying assumption of Polish-Nazi collaboration," he concludes. An honest and frank assessment of

Polish complicity in the annihilation of nearly 3 million Jews need not, as Mr. Galezewski implies, rely on the problematical notion of "collective responsibility." On the other hand, anyone familiar with the enduring and bitter history of anti-Semitism in Poland will realize that Nazi leaders had little to fear from resistance by the indigenous non-Jewish population to their plans for the "final solution" in Poland.

The specter of anti-Semitism has again played a key role in recent Polish history. There is the case of the anti-Semitic purges of the Polish Communist Party after the political disturbances of 1968. During the upsurge of Solidarity in 1980 and 1981, the Polish leadership tried to play on anti-Semitic sentiment as a way of siphoning off popular support from the movement for an independent trade union in which "un-Polish elements" — Jews — were alleged to play a key role. In this respect, General Wojciech Jaruzelski and company were trying to draw on prejudicial sentiments that have historically gone hand in hand with resurgence of Polish nationalism.

Finally, there is the astonishing scene in "Shoah," Claude Lanzmann's monumental documentary, when elderly Polish villagers are asked if they "miss" the Jews who were deported from their town. The resounding "no" in response was both shocking and foreseeable.

Richard Wolin, Paris.

Improved China-Soviet Relations Can Benefit India, Too

In his opinion column entitled "India: Gorbachev Will Have Some Explaining To Do" (Nov. 24), my friend S. Nihal Singh stated among other things: "The logic of a Chinese-Soviet rapprochement implies that the central area in the Indian-Soviet relationship, a shared unhappy relationship with China, is on the verge of disappearing." Consequently, Mikhail Gorbachev's journey to New Delhi "might well be the beginning of a less amiable relationship."

During my long years in the Indian diplomatic service I do not recall any time when India's bilateral relations with the Soviet Union were directly influenced by the so-called "shared unhappy relationship with China."

As early as the late 1920s, Jawaharlal Nehru denounced foreign intervention in China, and in the 1930s he condemned Japan's aggression against that country. Since India became independent, friendship with the People's Republic of China has been one of the main pillars of India's foreign policy. At the Bandung Conference in 1955 it was largely through India's efforts that China acquired a measure of respectability throughout Asia and Africa, and it was India again which took the lead in pressing year after year, despite American displeasure, for China to be given its rightful place in the United Nations.

Even after the 1962 Chinese attack against India, the Indian government refrained from playing the "China card" in order to take advantage of Chinese-Soviet discord, a policy which Prime Minister Rajiv Gandhi, too, has scrupulously upheld following the recent skirmishes on the border with China.

As far as I know of India's perception, normalization of Chinese-Soviet relations is as much in India's interest as the mending of India's own fences with the Chinese. A China which is neutral between the two superpowers will inevitably reduce its military and political involvement with Pakistan, just as a speedy Soviet withdrawal from Afghanistan will deprive the Pakistanis of the convenient excuse for obtaining excessive arms from the United States. Primarily it is Pakistan which continues to be India's main security concern, especially now that it is so busy making nuclear weapons in the basement.

At a meeting between Mr. Gorbachev, representing a new generation of Soviet leadership, and a youthful Mr. Gandhi with modern ideas could recreate the pre-1960s triangular amity with China, it would strengthen rather than erode India's friendly relations with Moscow.

MADANJEET SINGH, Paris.

Ambassador Singh is adviser to the Indian government's delegation to UNESCO.

THE IRAN AFFAIR: Caught in the storm

U.S. Envoy to Italy Denies Ties to Iran Arms Deal

By E.J. Dionne Jr.

ROME — Maxwell M. Rabb, the U.S. ambassador to Italy, whose name has arisen in a court case involving the sale of arms to Iran, has emphatically denied that he discussed Iranian arms or hostages with anyone.

He specifically denied having discussed arms sales or the release of American hostages in Iran with a Saudi Arabian billionaire who arranged arms shipments to Iran for the Reagan administration. Mr. Rabb is a longtime acquaintance of the Saudi businessman, Adnan M. Khashoggi.

In an interview Sunday, Mr. Rabb said comments about his involvement in any aspect of the Iranian arms sales had been "misstatements and lies."

Mr. Rabb was responding to reports that the U.S. Customs Service had mounted a major "sting" operation against arms merchants dealing with Iran at the same time administration officials were secretly shipping weapons there.

Because of the sting operation, 47 persons were indicted last spring for involvement in illegal arms trading.

One of the defendants, Nico Minardos, said he had discussed the arms sale with Mr. Rabb at the American Embassy here.

Ronald Kessler, the author of a book on Mr. Khashoggi, said Mr. Rabb had spoken of a plan by Mr. Khashoggi to free the hostages at a



Maxwell M. Rabb

birthday party for the Saudi businessman in Marbella, Spain, on July 23-24.

Mr. Kessler said last week, "Rabb told me at Khashoggi's party that Khashoggi was coming up with an ingenious plan to free the hostages."

Mr. Rabb said Sunday that he attended the party and that he had spoken with Mr. Kessler. But the ambassador denied that they had spoken about a plan to free the hostages.

"That is not my style," Mr. Rabb said. "I just don't impart that kind of information."

Moreover, Mr. Rabb said he could not have discussed any plans by Mr. Khashoggi to sell arms or

help free the hostages because he had never spoken with Mr. Khashoggi about either of these things. "At no time did I ever participate in anything involving Iran, nor was I aware of any of the government's actions," Mr. Rabb said.

Mr. Rabb, a lawyer, said he had known Mr. Khashoggi for "years and years" and had seen him three or four times since he became ambassador to Italy in 1981. Mr. Khashoggi tried to engage Mr. Rabb as a legal counsel in the late 1970s, but Mr. Rabb declined the offer.

Mr. Rabb said he could not comment on the assertion by Mr. Minardos that they had discussed the Iranian arms sales because Mr. Minardos' case was still pending in court.

Mr. Rabb has given a deposition in the case involving Mr. Minardos, who worked for Mr. Khashoggi's firm, that disputes Mr. Minardos' account of their meeting at the American Embassy here in February.

Officials of the embassy familiar with Mr. Minardos' visit said he had arrived without an appointment.

"The ambassador was taken by surprise when Minardos claimed to be a close and familiar friend," said an official. "Minardos talked his way into the office by pretending he was a friend."

Mr. Rabb, the officials said, did not know who Mr. Minardos was when his secretary told him that an "old friend" who was passing through town urgently wanted to

see him. Mr. Rabb finally agreed to see Mr. Minardos and vaguely recognized him, perhaps from when he was escorted into his office.

The officials said that Mr. Minardos and Mr. Rabb exchanged pleasantries and that Mr. Minardos brought up the issue of Iran in vague terms.

He told Mr. Rabb of the need for the United States to make friends in the Iranian government and, according to the officials, also said he and some of his associates wanted to do business with Iran.

The officials said that Mr. Rabb replied by repeating the American government's policy stand against doing business with Iran and added that he thought the chances of any change in policy were remote.

Mr. Minardos then asked Mr. Rabb, according to this account, if the ambassador would let him know if there were any change in this policy.

Mr. Rabb said he would, and he asked Mr. Minardos to leave his address and phone number with the secretary. According to the officials, Mr. Rabb requested the information so that he could find out the identity of the man with whom he had just spoken. But the officials said Mr. Minardos left without leaving any information with the secretary.

The officials said Mr. Minardos never mentioned Mr. Khashoggi's name, nor did he identify what his business activities were or with whom he was associated.

After 4 Years, 'Contras' Fear a Defeat — in U.S.

By James LeMoyné

MIAMI — They have survived four years of battles and blunders, but leaders of the Nicaraguan rebels say they may now finally face defeat — not inside Nicaragua, but in a Washington political uproar beyond their control.

The three top officials of the main United Nicaraguan Opposition rebel organization have been meeting here to choose a strategy in light of the Iranian arms affair.

In interviews, the rebel leaders insisted they knew nothing of the scheme that provided them with supplies purchased with the profits from U.S. arms sales in Iran.

But they said that the furor had strengthened their opponents in Washington, weakened their backing in Central America and undermined their two greatest advocates and defenders: President Ronald Reagan and Lieutenant Colonel Oliver L. North.

It was precisely Colonel North's ceaseless efforts to help the rebels that could prove to be their undoing, the leaders said, insofar as the clandestine diversion of money appears to have been his plan.

After narrowly winning congressional support this year for renewed aid to their forces, rebel officials fear they will find few defenders in Congress in the weeks ahead.

"We have always had to fight two battles: one in Congress and one in Nicaragua," said Adolfo Calero Portocarrero, a director of the United Nicaraguan Opposition. "Just when we thought we had won the fight here, this hits us."

Another leader of the rebels, who are known as "contras," said: "We may oow be seen as

nothing more than the pet project of a lame duck president. If that's the way it is, we're finished."

The contras have survived other crises in the past, including major shake-ups in their internal command, a congressional ban on military aid, an international outcry over the mining of Nicaraguan harbors and charges of human rights abuses and corruption.

To weather their latest crisis, rebel officials say, they will answer any questions Congress may pose. In return, they say, they will ask lawmakers to separate the issue of the Iranian arms sales from the merits of the rebels' fight in Nicaragua.

"The reality is that Nicaragua is there and we are there to find a way of bringing democracy to the country," said Alfonso Robelo Callejas, one of three directors of the United Nicaraguan Opposition.

"Congress shouldn't covert an internal problem into something that will have the greatest benefit for the Marxists in Nicaragua," he said, referring to the Sandinist government.

Mr. Calero, Mr. Robelo and Arturo José Cruz, the third member of the rebel triumvirate, said they had received cash donations from private sources but had never knowingly received cash from the arms sales to Iran.

An administration official asserted that the rebel directors were almost certainly telling the truth. The Iranian money probably went entirely to arms and transportation and did not enter the contras' bank accounts, he said.

Mr. Calero said he was informed earlier this year of a covert operation based in El Salvador to airlift supplies to the contras by the chief

American pilot of that program, William J. Cooper.

But Mr. Calero said he did not ask where the money or the supplies came from and that Mr. Cooper did not volunteer the information. Mr. Cooper and two other crewmen were killed Oct. 5 when their supply plane was shot down over Nicaragua.

A fourth crewman, Eugene Hasenfus, was captured.

Mr. Calero also said he had met Richard V. Secord, a retired U.S. Air Force major general, but that he had not been in contact with him "for a year." Mr. Secord appears to have been a key figure in the diversion of Iranian money to the contras.

Mr. Calero said he had no idea whether Mr. Secord was involved in a plan to aid the rebels by using proceeds from Iranian arms sales. But there is strong evidence that Mr. Secord helped provide short-haul Maule airplanes to the rebels in 1984 and perhaps 1985.

Looking back over the roller-coaster fortunes of the guerrilla movement over the last four years, one senior rebel official said that running a covert war with U.S. support was the most difficult thing he had ever done.

He said he had been forced to worry about the American press, Congress, public opinion, the source of donations and the legality of his actions.

"The Salvadoran guerrillas or the Sandinistas don't have to worry about all this when they deal with the Cubans and the Russians," the contras' official asserted. He noted that he now has to sign a receipt for every expenditure.

ARTS / LEISURE

The New Petticoat Power on Seventh Avenue

International Herald Tribune

NEW YORK — A few seasons ago, young American designers were very flash-in-the-pan — here this season, gone the next. Now they have acquired credibility and staying power.

According to Kal Rutenstein, fashion director at Bloomingdale's: "Stores need new blood and they're ready to go on a limb, even extend credit to these young designers."

HEBE DORSEY

The reason is that established designers are perceived as a bit boring by our customers, who are looking for more new and individualistic statements.

Rutenstein sees the decline of the dollar as an incentive for American retailers to look more carefully into domestic resources. "Prices in Europe are unrealistic. Especially with these new European talents. People are not ready to experiment at \$1,000 a crack for designers they've never heard of."

Meanwhile, young homegrown designers are also keenly sought after by Japanese entrepreneurs, who are making a quiet but sure



Osuna (far left): N.Y.'s best crinolines?



High art: David Cameron: High art-holed paper-doll cut.

impact on Seventh Avenue. Besides Tomio Toki, who backs both Anne Klein and Donna Karan, the Kashiyama conglomerate, which supports Jean-Paul Gaultier in Paris, has recently supported both Marc Jacobs, and Norbury and Osuna.

These new designers have small overheads and are able to deliver individualistic clothes at realistic prices. Sales volume rarely exceeds \$750,000 to \$1 million a year. Retail prices range from \$75 to \$800 for generally well to very well-made clothes.

There are six designers who seem to be set for continuing success.

Three are presented here, the others will appear next week.

DAVID CAMERON, 25, prosperous Los Angeles background. Father in construction business. Denies that he is backed by Los Angeles investors.

Tall, handsome, blue-eyed and blond. Typical LA surfer type. Wanted to be rock musician. Came to New York five years ago after winning fashion design contest. Apprenticed with Michaela Wollbrant. Showed first New York collection three seasons ago.

Attended by Women's Wear

Daily publisher, John Fairchild. Cameron's first show came in with a bang. Influenced by Chicano on Los Angeles, with ruffled shirts and fall denim skirts. Second wild show inspired by California surfers not too well received. Spring collection a total success, with short full skirts and crinolines. Definitely for young audience to go and dance in.

Latest collection inspired by TV video-clips and a New York band called RUN DMC. Result is a "RUN DMC" jacket with steel namelaple across chest. Hats — small, stiff helmets — also inspired by the hats worn by New York

street gangs. Cameron was one of first to use stretch fabrics and showed interesting black-and-white striped active clothes.

Strong Courreges influence. "I think he's the best." In fresh pinks and yellows, and neat, high-armed, paper-doll cut. Innovated by putting stiff jackets over ruffled crinolines.

Very well-made clothes have couture edge. For Rutenstein: "He's the one with star quality and star potential." Cameron will receive first "Perry" (or Perry Ellis) award, on Jan. 12, 1987 from Council of Fashion Designers of

America. Followers include Tina Chow and Paloma Picasso.

NORBURY AND OSUNA — Work as team, David Norbury, 30, from South Africa and Miguel Osuna, 35, from Mexico. Met in a New York club. Osuna then working for Scott Barrie. Primarily an illustrator, Norbury was designing shoes and bags for Carlos Falchi. Founded own house four years ago.

Last season, backed by Kashiyama. Functions from neat and clean gray showrooms on Seventh Avenue. Made-in-Japan collection. Business volume about \$400,000 a year.

General style very couture-inspired. Osuna apprenticed in Paris. Develops a new silhouette each season. Norbury says total look more important than separate pieces. Last season, trapeze and tent shapes with full skirts and crinolines. Vivienne Westwood, London designer, considered world leader in revival of crinoline, said that only designers who impressed her in the United States were Norbury and Osuna.

Spring collection Empire baby-doll, with bubble skirts. Also Empire suits of knit fabrics. Overall, very romantic, waspish collection, influenced by English country gardens and Ascot. Two fabrics: cotton jersey and cotton twill. Sophisticated colors: lavender and cream, henna and gray, pink and maroon.

MARC JACOBS, 23. Had his ups and downs with backers since he showed first collection at 21. Now okay, with Kashiyama backing him up. "I've been making and showing collections but I haven't been able to manufacture. Now conditions are changing. I won't get lots of money but good working conditions," he said.

Born and bred in New York, at 14 wanted to be fashion designer. Graduated from Parsons School, for years salesman at Charivari's.

Saying "Clothes not just for covering body, clothes should entertain." Jacobs specializes in witty clothes, including "Freudian slip" dress with Sigmund Freud's profile against white sequins.

Winter collection built around trapeze, with lots of taffeta, busier dresses. "I think Vivienne Westwood most influential designer in world today. Likes street fashion, such as jeans jacket made of taffeta over taffeta dresses. Another petticoat addict.

For spring, young whimsical collection with lots of T-shirts and T-shirt dresses. Also amusing trompe-l'oeil, sequined corset dresses. Romantic quality about Jacobs. This collection inspired by the Viennese painter Egon Schiele, whom he first discovered at recent Vienna show at New York Museum of Modern Art. "I loved the wonderful naive and sexual women in these paintings," he said, "with girls half-dressed and half-undressed, with stockings half rolled up and shoes half laced-up. I found them sexy, but not bitchy or hard-edged."

Very inexpensive. Prices range from \$30 to \$250 retail, except for beaded dresses which go for \$600 to \$800. Jacobs likes mixing gears such as throwing a man's wind-breaker over a strapless dress: "Makes it very naive and sexy."

Everything cut quite skimpy. And absolutely no shoulder pads.



Marc Jacobs (right): Naive and sexy.

DOONESBURY



Table with columns: NYSE Most Actives, Vol., High, Low, Last, Chg.

Table with columns: Market Sales, NYSE 4 a.m. volume, NYSE 9:30 a.m. volume, etc.

Table with columns: NYSE Index, Composite, Industrials, Utilities, Finance.

Monday's NYSE Closing. Via The Associated Press.

Table with columns: AMEX Diary, Advance, Decline, Unchanged, Total Issues, New Lows.

Table with columns: NASDAQ Index, Composite, Industrials, Finance, Unchanged, Total Issues, New Lows.

Table with columns: AMEX Most Actives, Vol., High, Low, Last, Chg.

Table with columns: Dow Jones Bond Averages, Bonds, Utilities, Industrials.

Table with columns: NYSE Diary, Advance, Decline, Unchanged, Total Issues, New Lows.

Table with columns: Odd-Lot Trading in N.Y., Buy, Sell, Total Issues, New Lows.

Table with columns: Dow Jones Averages, Open, High, Low, Last, Chg., Index, Total Issues, New Lows.

Table with columns: Standard & Poor's Index, High, Low, Close, Chg., Industrials, Finance, Unchanged, Total Issues, New Lows.

Table with columns: NASDAQ Diary, Advance, Decline, Unchanged, Total Issues.

Table with columns: AMEX Stock Index, High, Low, Close, Chg.

Large table with columns: 11 Month High Low Stock, Div, Yld, P/E, etc.

Iran Affair Weighs on Market. Compiled by Our Staff From Dispatches. NEW YORK — The New York Stock Exchange lost ground Monday, undamined by appreciation over the Iranian arms imbroglio and strongly influenced by computerized program trading, analysts said.

Table with columns: 12 Month High Low Stock, Div, Yld, P/E, etc.

Table with columns: 12 Month High Low Stock, Div, Yld, P/E, etc.

Table with columns: 12 Month High Low Stock, Div, Yld, P/E, etc.

Table with columns: 12 Month High Low Stock, Div, Yld, P/E, etc.

(Continued on next page)

THE IRAN AFFAIR: Top U.S. officials go under the microscope

Major Players: A Status Report

How Much Did They Know, When Did They Know It?

By Gaylord Shaw
WASHINGTON — Like the stain of an oil spill, the Iranian arms-and-hostages deal and the diversion of profits from it to help the Nicaraguan rebels has spread across the Reagan administration...

Here is an account of what has become known about the involvement of key officials in the controversy.
President Reagan
On Jan. 17, Mr. Reagan secretly signed a national security "finding" that waived the existing embargo and authorized direct U.S. arms shipments to Iran as part of a "secret initiative" that he said was intended to improve relations with Iran...

which the secret Iranian operation was discussed. A number of officials stress that Mr. Reagan made a point of being informed of all other National Security Council policies and operations run by the national security adviser, Vice Admiral John M. Poindexter.
Moreover, according to a report last week, Colonel North, who is accused of conducting the secret operation to divert funds to the Contras, has told associates that he briefed Mr. Reagan in full on the operation from its inception or its early stages.

Oliver L. North
Colonel North was involved in two top White House assignments in late 1984: building a network of private support for the Contras after Congress barred U.S. military aid, and helping to quell international terrorism.
Sometime in 1985, Mr. North and Mr. McFarlane, using weapons for Iran's war with Iraq as a lure, secretly began courting "moderates" in the Muslim fundamentalist regime of the Ayatollah Ruhollah Khomeini, apparently seeking a U.S. foothold with his possible successors and freedom for American hostages.

George Bush
"No role in it," the vice president said Saturday when reporters caught up with him while he was jogging, but his clipped comment is not likely to be the last word on his part in the controversy.
As a former CIA director who headed the administration's study of U.S. efforts to combat terrorism, Mr. Bush has been described as being at the forefront of national security policy during his six years as vice president.

Robert C. McFarlane / Nov. 13
"The charge has been made that the United States has shipped weapons to Iran as ransom payment for the release of American hostages in Lebanon, that the United States undercut its allies and secretly violated American policy against trafficking with terrorists. Those charges are utterly false, the United States has not made concessions to those who hold our people captive in Lebanon. I authorized the transfer of small amounts of defensive weapons and spare parts for defensive systems to Iran."
Donald T. Regan / Nov. 14
"I don't take kindly to this criticism by people who have not examined my record. How much more experience do you have to have in foreign policy than I do to believe you are qualified. Some of us are like a street brigade that follow a parade down Main Street cleaning up. We have never authorized, never allowed, never condoned large shipments by anyone by Far Easterners, Mideasterners, Europeans, Israelis or anyone."

Robert C. McFarlane / Nov. 20
"it was not kept from the Secretary of State. I'm somewhat surprised at the portrayal that it was. I told him repeatedly and often of every item that went on in this enterprise. However, the meaning and defensive purposes were, to the extent that the introduction of arms transfers into the process has led to understandable turmoil that can have a very damaging effect on the ability of our country to lead, it was a mistake."
George P. Shultz / Nov. 21
"There were discussions, and I participated in two of them. They were full-scale discussions."

Edwin Meese 3d / Nov. 25
Attorney General
"what is involved is that in the course of the arms transfers, which involved the United States providing the arms to Israel, and Israel in turn transferring the arms to Iran, certain monies which were received in the transaction between representatives of Israel and representatives of Iran were taken and made available to the forces in Central America which are opposing the Sandinista Government there."

These questions, etched in America's psyche by Watergate more than a decade ago, now are being asked about men who hold some of the most critical positions of trust in the nation: White House officials, the secretaries of state and defense, the attorney general, the president's former national security adviser, the director of the Central Intelligence Agency and even President Ronald Reagan and Vice President George Bush.
In the nearly four weeks since the Iranian arms affair began unraveling, and in the week since Attorney General Edwin Meese 3d disclosed that proceeds from arms deals had been funneled to the Nicaraguan rebels, some answers have begun to emerge.

At that time, there had already been at least two shipments of U.S. arms by Israel in 1985, and Mr. Meese said Nov. 25: "The president did not have full details of all of the aspects of the transactions that took place prior to the 'finding' on Jan. 17."
"The president was informed generally that there had been an Israeli shipment of weapons to Iran some time during the late summer, early fall of 1985," Mr. Meese said. "Our information is that the president knew about it, probably after the fact, and agreed... with the general concept of continuing our discussions with the Israelis concerning these matters."

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John M. Poindexter
What is not known is when Admiral Poindexter learned of key elements of the Iran scandal, and what he told, or concealed from, the president or Mr. Regan.
Admiral Poindexter is reported to have sat in on some 1985 discussions of proposals to establish a beachhead with Iranian moderates, and at least part of the Iran arms policy appears to have been in place and operating by the time he replaced Mr. McFarlane.
He is reported to have voted with the majority, over the sole objection of Defense Secretary Caspar W. Weinberger, to urge that Mr. Reagan sign a secret directive lifting the U.S. arms embargo against Iran and ordering the CIA to aid in the arms shipments without telling Congress.

Robert C. McFarlane
His exact role remains shadowy at best, for Mr. McFarlane disclaims responsibility for, and declines to comment on, much of the venture even though it was born and carried out under his direction.
He is said to have first seriously considered plans for a secret U.S. initiative directed at Iranian moderates in mid-1985, six months before quitting his post as national security adviser in December.
One news account citing Mr. McFarlane and sources familiar with his thinking casts Mr. McFarlane as consistently opposed to secret arms trading with the Iranians. But others say a blueprint for an Iranian initiative was presented to Mr. Regan, with Mr. McFarlane's backing, in July 1985.

Secretary of State George P. Shultz, who also opposed the idea, had been excluded from the decision-making.
White House officials, including Vice Admiral Poindexter, maintain in background briefings with reporters that he was fully aware of the covert arms shipments after Mr. Reagan signed the January "finding."

William J. Casey
Mr. Casey and the Central Intelligence Agency he directs were in the thick of the secret operation to sell arms to Iran. Mr. Meese described the CIA as "the agent" for the U.S. government in most of the deal; the CIA bought the weapons from the Pentagon, arranged to ship them to Iran and took payment through its own Swiss bank accounts.
Mr. Casey and his agency have repeatedly denied taking part in, or even knowing about, skimming profits for the Contras. And Mr. Meese said last week "to the best of our knowledge, no one in the CIA knew about it."

Edwin Meese 3d
At the White House briefing Nov. 25, Mr. Meese was asked about legal opinions he had given on the Iran arms shipments.
"The only legal opinion that was involved had to do with the routine concurrence, with the 'finding' of January 1986," Mr. Meese replied. "That's the only legal advice that was asked for or that was given."

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disavowed any link to the arms-for-hostages dealings between the crucial months of September 1985 and April 1986, well after his December 1985 resignation.
Two news accounts, apparently based on interviews with Mr. McFarlane, say that he was asked in March or April by his White House successor, Vice Admiral Poindexter, to fly secretly to Tehran with Colonel North for talks with Iranian moderates. The trip was undertaken in late May 1986.
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Regan Might Resist Testifying to Panel in Congress
By Gerald M. Boyd
WASHINGTON — Donald T. Regan has raised the possibility that he would resist testifying before congressional inquiries, saying "it would be rather unusual" for the White House chief of staff to make such an appearance.
Mr. Regan's comments Sunday were the strongest indication to date that President Ronald Reagan might keep White House officials from testifying under the doctrine that the executive has the privilege of withholding information from Congress or the courts to guard the confidentiality of executive branch deliberations or to protect national security.
A White House spokesman said Saturday that some former national security officials could be made available for congressional inquiries if the two branches could agree on suitable ground rules.
Mr. Regan said as he left California on Sunday that he would make information available on the arms sales to Iran and the funneling of profits to the Nicaraguan rebels supported by the United States. But he suggested that could not occur until the Justice Department completed its investigation, which is being directed by Attorney General Edwin Meese 3d.
His chief of staff also spoke in California and refused to address directly the question whether he would testify if asked by Congress. That he would be asked to appear is virtually certain because of reports that he was told about the secret arms transactions, which provided millions of dollars to the Nicaraguan rebels.
Mr. Regan has dismissed such reports as "ridiculous" and has said that the first he learned of the transactions was when he was informed by Mr. Meese Nov. 24.
Asked in a television interview Sunday whether he would testify on Capitol Hill, he replied: "I've not been asked to and it would be rather unusual and I don't know what I could add to what they already know."
When pressed about a response if he were asked by Congress, he continued: "I can't guarantee that because the advice I give to the president obviously is a matter of executive privilege or else you won't have a separation of powers, which is necessary under the Constitution."

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# MONACO

## A DIAMOND ON THE MEDITERRANEAN

What is small, sparkling, smooth, fun to admire and a bit of a gamble? No, not a mere jewel. Rather, Monaco.

Europe's second-smallest independent state has long been one of the world's most valuable rocks. Its natural harbor and climate have attracted outsiders, from Neanderthal man to the Monocoks (a Liguian tribe which inhabited Monaco in the 6th century B.C. and presumably bequeathed its name) to Anthony Burgess, Boris Becker and Karl Lagerfeld.

Monaco has everything most people would like in their own hometowns. The streets can be safely walked at midnight, the omnipresent police force is more helpful than intimidating, the weather is good most of the year, and the public services are exceptional.

There is gambling but no lurid nightlife and the royal family keeps the place in the news with only just enough fetching gossip to make it interesting. There is a small prison (most cells have a sea view) and constant construction, but Monaco can be basically characterized as something between Wonderland and Monopoly-land.

"This is one of the few places left in the world where women can still wear real jewelry when they go out at night," said Gilles Noghes of the principality's tourist office. "It is an ideal mixture of the modern with the traditional, of security on the street with daring in the casinos. We plan to keep it that way — small, beautiful and prestigious."

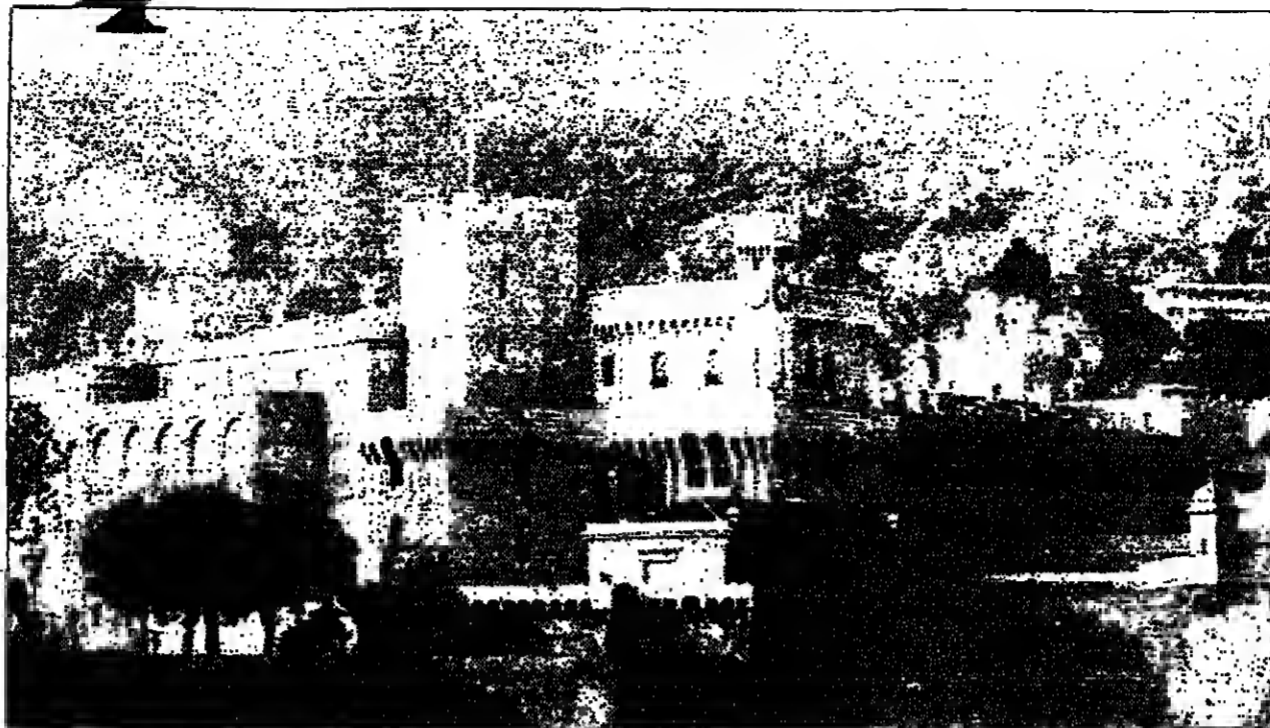
Where's the intrigue? There are rumors, of course, that Monaco is replete with intrigue. But except for some of the questionable buildings erected during what many locals now refer to as "our American era," Monaco is much more sedate than scandalous. Even a spirited French muckraking newspaper could not find any real scoops for a lengthy issue it devoted to the principality last July.

"Foreigners, especially the French, think we live off gambling, are either a den of iniquity or a police state, and are definitely very odd because we don't pay income tax," said Jean-Charles Rey, the 72-year-old Monegasque who heads the country's parliament and grew up on The Rock, as the hill which contains Monaco's palace and old city is called. "We consider ourselves a well-managed, small but serious country with hard-working people and a government that tries to prevent monkey business."

Although contemporary tourists head to the Riviera primarily during the summer, Monaco was essentially a winter resort, catering to a wealthy and seasonal clientele, until 1945. But today Monaco has become a year-round tourist destination: over 250,000 foreigners spent at least one night here this year. Twenty-five percent came on business and a quarter of the total were American (18% were Italian, 17% French and 8.5% British).

Much of Monaco's attraction to Americans is due to Princess Grace, the former actress from Philadelphia who married the ruling Prince Rainier III in 1956 and was killed in an automobile accident just over four years ago. Princess Grace added magic and zest to the formerly staid Monaco and was a magnet for Americans heading abroad. Her daughters, Caroline and Stephanie, have helped continue the American public's fascination with a country smaller than most cities in the United States.

"Princess Grace brought a taste of international life that opened our eyes to the outside world," explained Rey, who



The Prince's palace is situated on The Rock, a hill which also contains Monaco's old city and parliament.

contends that Princess Caroline has successfully assumed the role of the principality's first lady. "Monegasques still sense her presence."

**Growing, growing, grown.** There is no question that Monaco exceeded itself when it started building skyscrapers in the 1960s and '70s. But today there is a return to more reasonable architectural styles. They can be either contemporary (like the buildings in Fontvieille), neo-classical (like the apartment complex Le Florestan) or of a restoration mode (like The Metropole).

"There is a conscious effort by the government and the private sector to physically build a sensible future," said Nabil Boustany, who is spending 600 million FF (\$90 million) restoring the old Metropole hotel, which closed in June 1981. Boustany is creating a mix of office and commercial space, apartments and a 140-room hotel, which will reopen next autumn under the management of Conrad International Hotels, a subsidiary of Hilton Hotel Corp. in the U.S.

Boustany contends the Metropole may be partially responsible for some of the modernization at other hotels in the principality, including those owned by La Société des Bains de Mer (SBM). The SBM — which employs over 2,200 people and has activities in gambling, hotels, restaurants, sports, real estate and business — has been a major force in Monaco since the company was created by Charles III in 1863. It is now controlled by the government, which has 69 percent of the shares.

Indeed, the S.B.M. has added 50 rooms and an exquisite bar to its Hôtel-Hermitage (the current preference of those visitors who want a scent of bygone days coupled with modern conveniences), and eliminated 20 rooms to enlarge a number of others at the Hôtel de Paris.

The SBM is about to start renovating the Café de Paris, Monte Carlo's buzzing meeting point located near to the casino. About three-quarters of the current structure (a temporary replacement will be opened across the plaza) will be demolished, including the once-vibrant New Jimmy's nightclub. The rebuilt Café de Paris will contain slot machines and blackjack tables which will be removed from the main gambling room in the casino. Opened in 1963, the casino has resembled Las Vegas during the past decade but may regain some of its traditional allure when the admittedly money-making "jeux américains" find a new home.

In addition, the parking lot behind the casino will be replaced with a terrace for promenades and part of the interior will become a museum. The government, in what will make central Monte Carlo a bit noisier for a while, is also constructing an underground parking lot which will ultimately make the place du Casino more pedestrian-oriented.

"We are trying to bring back an epoch that went into hiding for a while," admitted David dell'Antonia, one of the directors at SBM, who notes that bringing the magic back to Monaco calls for an investment of about 500 million FF (\$75 million) by S.B.M. during a three-year period. "People come here to get a sense of what Monte Carlo was like a century ago and we should respond to such requests."

What to do? Contemporary Monaco is fun. But it is a rational, rather than footloose and fancy-free, type of fun. Many visitors are surprised, though not particularly disappointed, that the principality completely lacks low-life nightclubs and prostitute-lined streets.

Nightlife tends to be subdued. The Philharmonic Orchestra (founded in 1857), ballet (given a fresh boost and budget inspired by Princess Caroline) and opera are all active. For dancing, try Jimmy's de la Mer at the Monte Carlo Sporting Club, The Living Room (7 avenue Spelugues) or Le Noroc (11 rue du Portier). Loews Hotel, with its gorgeous sea view and large bustling casino, is also a vibrant spot to see and be seen.

Monaco is great for walking and strolls can be taken through the exotic gardens, which attract about half a million visitors a year, the National Museum (which has one of the world's best collections of automaton and 18th- and 19th-century dolls), the beachfront and markets.

Certainly take time to ramble around the old town near the palace, built on the site of a 12th-century fortress on The Rock. Look into the museum and archives and watch the changing of the guard (daily at exactly 11:55 a.m.). Also step into the Monaco Cathedral and visit the Oceanographic Museum and Aquarium, which is under the direction of Jacques-Yves Cousteau. Inaugurated in 1920, its staff includes a number of research workers and it has an important library.

Getting to Monaco is not too difficult. Trains run frequently to and from both France and Italy and the company piloting the helicopters, which take seven minutes from the Nice International Airport to Monaco (270 FF), provides a free shuttle service to major hotels. For drivers, there are a number of roads along the Mediterranean from Nice and Italy, or the rather winding descent from the autoroute. Getting there will be even easier in the early 1990s when a new access, financed in equal part by France and Monaco, will descend from the autoroute.

Monaco can also be reached and admired from the sea. Luxurious yachts lie in the port of Monaco and numerous cruises pass by or stop in Monaco. Among the best-crewed yachts for cruises in the Mediterranean are those of Solidmark in Cannes (Tel.: 93.39.84.19).

Some Monaco hotels to try:

|                         |             |
|-------------------------|-------------|
| Hôtel de Paris          | 93.50.80.80 |
| Hôtel Hermitage         | 93.50.67.51 |
| Loews Monte Carlo       | 93.50.65.00 |
| Hôtel Mirabeau          | 93.25.45.45 |
| Monte Carlo Beach Hotel | 93.78.21.40 |
| Beach Plaza             | 93.38.98.80 |

This advertising section was written by Joel Stratta-McClure, a freelance writer based in Southern France.



Prince Albert and Prince Rainier at Monaco's palace.

### Interview: Prince Albert Comes of Age

Prince Albert, the heir to Monaco's throne, decorates his office with contemporary paintings and two enlarged photographs of the vehicle he drove in last year's Paris-Dakar automobile rally. But the 28-year-old prince obviously does not plan to be a professional racer. He is destined to follow in his father's footsteps.

The prince — whose wire-rimmed glasses and bow tie partially camouflage his athletic interests in judo, swimming, bobsledding, tennis and other sports — graduated from Amherst College in Massachusetts in 1981 and served in the French Navy before working with an American bank, a French multinational company, an advertising agency and an American law firm.

Albert's childhood and youth filled him with good sense and strong principles," explained Jean-Charles Rey, head of Monaco's parliament. "To be a good leader requires a wide range of knowledge, a well-rounded personality and basic honesty — all qualities he has."

Today, among other things, Prince Albert is president of the Monaco Red Cross, a member of the International Olympic Committee, and president of the Monaco Yacht Club and the Athletics Federation of Monaco. He was recently interviewed (speaking in a thoroughly American accent) in his office on the top floor of Monaco's palace.

**Question: What would you be doing if you weren't the prince?**  
**Answer:** Probably something in the fast-paced world of

business, athletics or sports management. I had the most fun working in advertising and am still active in sports as a spectator and participant. But although I am not here by choice, I expect to enjoy the challenges of my future job.

**How are you preparing for it?**  
Rather than going to graduate school, I got some good hands-on working experience in different business environments. This introduced me to the legal and business professions and the people involved in them, and helped me both personally and professionally.

I assist my father full-time during the nine months of the year I'm in Monaco and we conduct some official functions together. In addition, I prepare reports, attend meetings, evaluate issues and work with government officials. I'm also active in a number of local and international civic, athletic, legal and medical organizations. The other three months of the year I'm on the road in official and unofficial capacities.

I learn something new every day, feel comfortable about my capabilities and guess I would be prepared to take over whenever my services are required. But I won't know how well I'll follow my father's footsteps until I actually move up.

**When will that be?**  
It is obviously up to my father, and we have not discussed any timetable.

**What bothers you the most about Monaco?**  
People still have a distorted image about the role of gambling in our economy, and tend to think of us as a playground in the sun.

There is much more here than that. There's a thriving business world of small industries, entrepreneurs and important financial institutions. Most people in Monaco actually work quite hard despite the erroneous impression of constantly being on the beach. I would like to try to alter our

image and help attract more companies in different business sectors.

Naturally the principality's major problem is our limited space. I find it very exciting to keep up with all the public works projects and new environmental ideas that occur here. For example, we will increase our area in the future by covering up the existing railway line and also plan to enlarge the harbor.

**How do you react to the constant attention your family gets in the press?**

Obviously I would prefer to keep a low profile, but it's often a challenge outside Monaco because everyone seems to want to know everything about us. I treasure my privacy and am not a rock star or actor. I frankly don't understand the obsession by the press and am especially disappointed because things often get exaggerated.

### How Monaco Works

Monaco is a sovereign state under a constitutional and hereditary monarch. Prince Rainier III's reign began on May 9, 1949 when he succeeded his grandfather, Prince Louis II. The heir to the throne is his son Prince Albert, born March 14, 1958. Rainier's family, the Grimaldis, first entered Monaco in 1297 (François Grimaldi disguised himself as a Franciscan monk) and the principality's independence was first recognized in 1489.

According to Monaco's constitution, which was rewritten in 1962, the executive power belongs solely to the prince. Legislative power is exercised (Continued on Next Page)

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and the International Circus Festival are but a few of the exciting annual events.

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### How Monaco Works

(Continued From First Page)

by him in conjunction with the 18-member National Parliament (Conseil National), elected for five years by democratic vote. The government is represented by ministers of state and three councilors.

"Monaco is as democratic as many other countries," comments Jean-Charles Rey, the current head of parliament. "The prince provides the line of direction in concert with the people and elected officials. He governs as well as reigns, but it is the elected parliament which approves the budget."

The prince represents the principality in its dealings with foreign powers and signs and ratifies all treaties. Legal power is also invested in the prince, who delegates procedures to the courts and tribunals.

Monaco belongs to a number of United Nations organizations (including the Atomic Energy Commission and the World Health Organization), intergovernmental organizations, and international non-governmental organizations, like the Red Cross.

There is a special relationship between Monaco and France, expressed in a number of bilateral treaties and conventions. Many Monegasque laws and regulations are similar to

French law, the monetary unit is the French franc, the principality is within the French customs zone and monetary regulations are subject to the provisions of the Banque de France.

How will Monaco fare in the future?

"There will be a strong forward thrust over the next five years and an increased role for Prince Albert as spokesman for the principality," predicted Vernon Farnsworth at the Chase Manhattan Bank. "Prince Albert's ability to professionally convey enthusiasm about Monaco will help produce an even more important financial center."

"We have been doing okay for eight centuries," concluded Rey. "We'll do all right for another eight if we continue to be reasonable."

### Facts and Figures

Area: 195 hectares (482 acres).  
Capital: Monaco-Ville.  
Population: 27,063, of whom 4,481 are Monegasques and 80 percent are foreigners.  
Languages: French, with English and Italian spoken.  
Currency: French franc (Monegasque coins are of equal value).  
State Religion: Catholicism.  
National Holiday: November 19.  
National Flag: Half-red, half-white, horizontally striped.

## The Business Of Being Monaco

Monaco is a major attraction for international businesses, but it is also a profitable business in its own right. The principality continually operates in the black and avoids levying taxes on personal income because it does not have to support an army, provide foreign aid or construct superhighways.

Monaco's 1986 budget was about FF 2 billion, while revenue exceeded FF 2.14 billion. Fifty-four percent of income is generated by value-added taxes and 14 percent by the state-run telephone system and other monopolies. Gambling, which was much more profitable in Monaco than in the other casinos on the French Riviera this year, is merely the icing on the cake, accounting for less than three percent of total revenue.

"We have a balanced budget because we are too small to incur debt and must manage ourselves like a private household," explains Jean Pastorelli, director of the budget and treasury. "We also invested heavily in large infrastructure, and this has paid off."

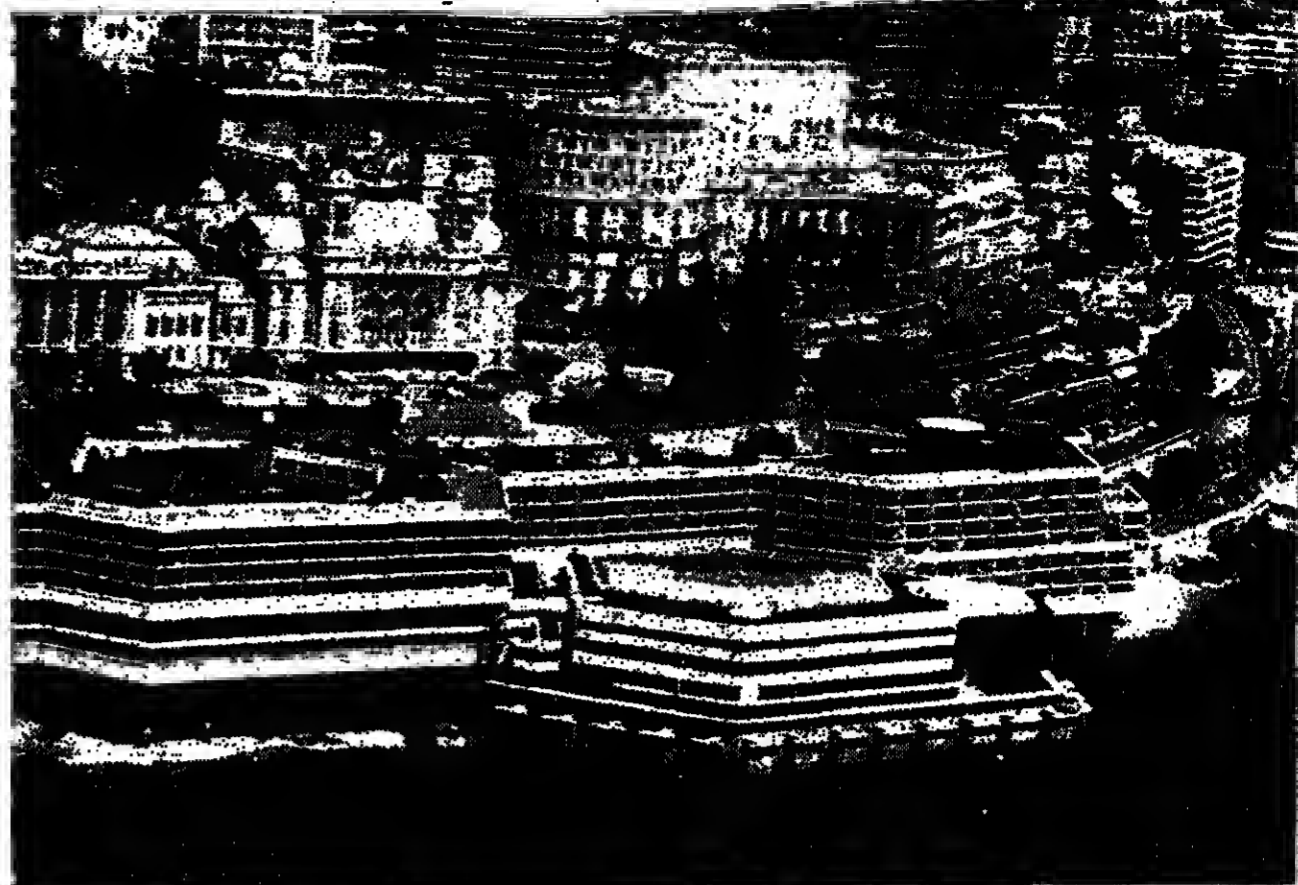
SBM, of course, is an important but hardly dominating player in the principality's

economy. It owns ten percent of the land and controls the casino (it also gets 50 percent of the take from the casino at Loews Hotel), 18 restaurants, four hotels and a number of other properties. But SBM provides the principality with only three percent of its revenue.

**Want to come?** Foreigners wanting to establish residence in Monaco must apply for a permanent visa, valid for the principality of Monaco, at the French consulate nearest their present place of residence. Once the visa is issued, Monegasque authorities (there are embassies in Rome, Bonn, Bern, Brussels and Paris) may be approached to obtain a resident permit. Foreigners applying for or holding Monegasque residence permits are urged to seek professional advice and guidance in all matters pertaining to monetary and exchange regulations.

Bona fide residents of Monaco — except French citizens who did not live in the principality prior to 1957 — are not taxed on any earned or unearned income and there is no inheritance tax for direct descendants. The only direct tax assessed by the government is the business profits tax, which now stands at 35 percent — if 25 percent or more of gross sales are derived from direct or indirect transactions outside the principality. Service organizations or administrative headquarters not engaged in direct or indirect income-producing activities are assessed at the prevailing rate of 35 percent on a percentage of their overhead expenses in Monaco.

For additional information contact: The Bureau of Economic Development, 2A Boulevard des Moulins, MC 98000, Monaco. Tel: 93.30.43.47. Telex: 469760.



The Monte Carlo Convention Center and Auditorium was built in 1978 on reclaimed land below the casino.

## Facilities for the Business Traveler

Monaco does not have enough hotel rooms to rival nearby Nice or Cannes for larger conventions and trade fairs. But its climate, charm and facilities make it a sensible selection for exhibitions of a smaller nature.

This week 550 international experts are discussing computer and credit card fraud and security, the reinsurance trade has been gathering in Monaco ev-

ery September for the past 30 years, and the world's largest computer company regularly displays new technological developments in May.

Monaco will be an even bigger draw for business tourism in the early 1990s when a new Exposition Center is built on the Larvotto beach to replace the current Centenary Hall, which is still an active exhibi-

tion site. Construction will start next spring and the center will have 5,000 square meters of exhibition space, an auditorium to seat 1,200 and parking for 450 cars.

"Our conference centers and the future exposition facility are built to complement the number of hotel rooms available," explained Gilles Noghes at the principality's office of tourism and conventions.

Existing facilities. The center will complement the Monte Carlo Convention Center and Auditorium (known locally as the OCAM) which is built on reclaimed land at the foot of the casino gardens.

Completed in 1978, the Rainier III auditorium seats up to 1,100 persons and there are 1,800 square meters of exhibition space on four floors.

Another outlet for conferences is the smaller International Conference Center, overlooking the main port of Monaco, with its congress hall for 500 persons, meeting rooms for 100 persons and an exhibition area of 800 square meters. It is located in the same complex as the Princess Grace Theater, now celebrating its fifth anni-

versary, which has 400 seats for plays, lectures and concerts.

A venue for more relaxed affairs is the Monte Carlo Sporting Club, built on 5.5 hectares of reclaimed land, which has a large restaurant (called the Room of the Stars because of its sliding roof) for gala events.

Many hotels, of course, have conference facilities for smaller corporate meetings and the Hotel de Paris will introduce a conference room for 150 persons in June 1988.

A special incentive for conference organizers, available until March 1987, includes:

- Hotel rates, based on a minimum stay of three nights, reduced by 20 percent on standard conference prices.
- Free use of meeting rooms and equipment in the Monte Carlo Convention Center and Auditorium and/or the International Conference Center.
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- A welcome party given by the tourism and convention office.

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**Monaco as a Classroom**

A great way to enjoy Monaco is to use it as a base for learning French or English. The Regency School of English and French (Tel: 93.50.49.00) teaches French to foreigners and English to the French. It also offers home French lessons during which a student lives with a local French "teaching family" and is completely immersed in the language. Room, board and 15 hours of formal French lessons per week cost FF 4,000.

Two excellent schools near Monaco are the Centre Méditerranéen d'Enfances Françaises (Tel: 93.78.21.59) in nearby Cap d'All, which features computer-assisted teaching in a bucolic environment, and the Institut de Français.

The Institut de Français (Tel: 93.01.88.44; Telex: 970 989F) in Villefranche-sur-Mer offers 4- or 8-week courses of complete immersion in French for professional adults and mature students. The school is housed in a luxurious villa between Nice and Monte Carlo, overlooking the Mediterranean's most beautiful bay.

## Christmas — Under the Sun

Shopping in Monaco is truly painless. Not only are all the prestigious designers located here, but there are also enough family-run outlets to make it an interesting place to hunt for bargains. It is also a lot more fun to do Christmas shopping on the usually sunny Riviera than under umbrellas in the rainy north. And don't worry about going overboard. It is a frequent afternoon sight to see one of the uniformed doormen at the Hôtel de Paris help a guest cope with overflowing bags.

One of Monaco's main shopping streets is the avenue des Beaux-Arts, which runs from the place du Casino toward the Square Beaumarchais. It is less than 150 meters long but an extremely valuable property on the Monaco monopoly board. The stores include Bulgari, Yves Saint-Laurent, Christian Dior, Givenchy, Louis Vuitton and Ribolzi (6 avenue des Beaux-Arts, Tel: 93.30.06.25). The latter, run by interior designer-turned-antique dealer Ariano Ribolzi, sells primarily French and Italian items, including priceless Louis XIV armchairs.

Other streets to stroll are avenue de Monte Carlo (Valentino, Hennes, Jean-Louis Scherrer) and the boulevard des Moulins (Charles Jourdan, Louis Azzaro). There are also 54 boutiques located in the Park Palace's Les Allées Lumière (Gianfranco Ferré, Morabito, Gianni Versace, Kansai and Louis Feraud).

Nearby, the Aris Monte Carlo Gallery (1 impasse de la Fontaine, Tel: 93.25.63.00) will be displaying 19th-century prints of English palace and noble home interiors ("Very à la mode for decorating apartments in Monaco," explained the gallery's Maryse Gadoury)

during December. Its new neighbor, Tite, sells a fascinating range of high-tech gadgets. The place to get English and German language books is at Scruples (9 rue Princesse Caroline, Tel: 93.50.43.32), which also sells Christmas cards and wrapping paper. "A Touch of Monaco and the French Riviera Guide" (60 FF) is the only contemporary English-language guide to Monaco and the surrounding French Riviera.

The panorama of shops in Monaco will continue to expand. Next year a new group of boutiques will open in La Galerie Commerciale du Sporting d'Hiver on Square Beaumarchais, and other boutiques are renting or purchasing space in the Metropole complex.

Note: Most stores close between 12:30 and 3 p.m. and remain open until 7 p.m.

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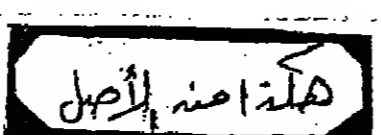
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- BREMOND - DOTTI IMMOBILIER - Tel. 93.25.50.25  
5 bis, avenue Princesse Alice - Monaco
- JOHN TAYLOR AND SON - Tel. 93.30.30.70  
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25, boulevard Albert 1er - Monaco
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- IMMOCONTACT - Tel. 93.25.21.22  
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ADVERTISING SECTION

ADVERTISING SECTION

# The Circus Is Coming to Town



One of Monaco's most intriguing annual events is the International Circus Festival. Previously scheduled for this week, it has been postponed until the week of Jan. 29, and will be held in a new 4,250-seat permanent tent in the esplanade de Fontvieille.

"The circus is a world of its own where everything is possible," said Prince Rainier III when inaugurating the festival over a decade ago.

This year's festival features acts representing circuses in Bulgaria, Switzerland, Poland, West Germany, Great Britain, Germany, Italy, France, the U.S. and other countries.

Ticket prices range from FF 75 to 400, and children under

12 are admitted at half price. The festival ends with a gala closing and the presentation of trophies, known as the Golden Clowns, by Prince Rainier.

During December, Monaco features numerous sporting, cultural and social events.

There are basketball and football games, a golf tournament and performances by the Monte Carlo Philharmonic Orchestra and the principality's ballet company.

A wide range of other events are scheduled in Monaco throughout the year. They include the Automobile Rally (Jan.), the Monte Carlo Tennis Open (April) and the Grand Prix Formula One race (May). Monaco also hosts the Spring of the Arts Festival (which next year will fill the main gardens with large sculptures), International Television Festival, International Fireworks Festival, International Dog Show and International Flower Arranging competition. The principality's two major social

events are the Red Cross Ball (Aug.) and the Rose Ball (April 4, 1987).

The monthly "Bienvenue a Monte Carlo," published by Direction du Tourisme, is the best guide to what's on. It can be obtained for free at most hotels or at the Direction du Tourisme et des Congrès (23 boulevard des Moulins, Tel: 93.30.87.01).

## The Monaco Connection

For further information regarding Monaco, contact:

Direction du Tourisme et des Congrès de la Principauté de Monaco.  
2a, bd des Moulins, Monte Carlo.  
MC 98030 Monaco Cedex.  
Tel: 93.30.87.01  
93.50.60.88.  
Telex 469760 MC.

Monaco Government Tourist and Convention Bureau.  
845 Third Avenue, New York, N.Y. 10022.  
Tel: (212) 759-5227.  
Telex 424253.

Fürstentum Monaco Staatliche Zentrale für Tourismus und Kongresse.  
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# Monaco: A Seaside Service Center

Monaco is one of the few countries or localities which has not established a development organization, or created a number of financial incentives to seduce foreign investors. Its mere existence, favorable tax legislation, political stability, position as a communications hub and traditional guarantees of security and confidentiality are apparently attraction enough.

Non-French employees working for companies in the principality do not incur personal income taxes and there is a flat 35 percent corporate tax on profits. But Monaco is careful not to flaunt its special status and harm its commercial relations with nearby France, West Germany and Italy. There are theoretically no "mailbox operations" and procedures for setting up a business in Monaco are thorough and strict.

The authorities want to develop a mixed economy and they especially encourage the creation of small (three to ten people) companies. About 25 companies of that size have come into the principality this year.

One new and unique service project is the FF 100-million (\$15 million) Monaco Cardiothoracic Center being constructed in the Villa Auguste, enclosed in the gardens of the Hôtel Hermitage. Scheduled to open next spring, the center will receive foreign surgical teams who will treat cardiovascular patients.

Auctions to industry. On a more commercial level, Christie's and Sotheby's auction houses are active in Monaco.

"There is a wealth of good antiques and paintings to purchase here and the objects we sell at auctions are of the highest quality," said Christine de Massy of Christie's, which will auction art deco objects on February 1 and 18th-century furniture on April 3. "About 60 percent of the persons attending our auctions come from abroad, which is an illustration of the quality of the merchandise."

Monaco's range of financial services is vast and most companies are located in the vicinity of the casino in Monte Carlo. There are over 40 banks and financial institutions that have come to Monaco for one simple, obvious reason.

Monaco is also an important international management center. Numerous shipping companies have their corporate offices here, and international concerns include Arco, Lancaster and l'Oreal.

There is a variety of light industrial companies located primarily in Fontvieille. Silvatrim, for example, makes plastic parts for automobiles. It is typical that there is not one Monegasque among its 480 employees. It is also typical that the company's operations and machinery are located on five floors in a ten-story building, rather than on the flat land typically associated with this type of production.

"The dense and varied web of industrial companies in Monaco are important to the economy because of the amount we pay in value-added and corporate taxes," said Henri Bronne, the head of Silvatrim.

Not everyone, however, stays in Monaco. Wellcome Laboratories and its 160 employees are leaving early next year because there was not enough room for the fully integrated manufacturing facility required by the company.

"We studied our development prospects and recommended that we shut down the Monaco facility and move to the nearby Sophia Antipolis technology park in France," said Wellcome's administrative director, Gerard Audra. "But although we will now own a building in France, our overall operating costs will be about the same as in Monaco because of higher French taxes and social charges."

For assistance while conducting business in Monaco, Business Aides Associates (Tel: 93.50.82.25) is an administrative and secretarial service which has been run by an Anglo-Greek team for over a decade.

"We do everything using the latest technology available," noted director Mary Economou.

The company acts as an office for private businessmen and provides a full range of secretarial and administrative services.

# Dining Out in Wonderland

Sadly, Monaco has never been the focal point of French gastronomy. Even today there are only three restaurants that merit a Michelin star — and none that have been awarded two or three. But the one-stars have a good shot at being upgraded and new tools are constantly being imported.

Dominique Le Seane (18 boulevard des Moulins, Tel: 93.50.63.37) is indisputably the best restaurant in town. Le Seane is still under 30 and was trained by Lenôtre, Chapel and Senderens. His ravigots with anchovies, covered with scapings of truffle, and his delicate rouger with a light *provençal* olive sauce are mouthwatering. Frequent diners can become club members and get a 15-percent discount.

Second to Le Seane is another one-star, La Coupole in the Hôtel Mirabeau (1 avenue Princesse-Grace, Tel: 93.25.45.45), where Yves Garnier, who used to work at Chez Georges in Paris, deftly handles the cuisine. The restaurant will soon be remodeled to include windows looking onto the Mediterranean. But in the meantime Garnier is creating a variety of dishes that expertly use such local ingredients as

olives, *provençal* herbs, mushrooms and, of course, fresh fish. A businessman's menu is available at lunch for FF 175.

Both these eateries, however, could be challenged by the new Restaurant Louis XV, which will open in the Hôtel de Paris on May 27. The SBM has hired Alain Ducasse from the two-star La Terrasse at the Hôtel Juana in Juan-les-Pins to take over the Louis XV and supervise the kitchens at other restaurants in the hotel — including the Salle Empire and the Grill on the top floor. The latter, Monaco's third one-star restaurant, offers a splendid view of the principality and surrounding areas.

An equally interesting culinary event will be the opening of the Café Roger Vergé next March. Located in La Galerie Commerciale du Sporting d'Hiver, the café will serve what an SBM executive described as "young, modern, gay French food." Vergé, of course, runs the three-star Moulins de Mougins and the two-star Amandier de Mougins.

Meanwhile, SBM's restaurant in the Hôtel Hermitage, La Belle Époque, has been awarded the first Renaissance Trophy from the magazine

"Gault-Millau" for having best preserved its original decor.

The Saint-Benoit (10 avenue de la Costa, Tel: 93.25.02.34) is considered the principality's best fish restaurant, and its location affords one of the best views of the Mediterranean. For Italian cuisine, naturally a Monegasque favorite, the locals constantly give top recommendation to "Polpetta" (6 avenue Roqueville, Tel: 93.50.67.84).

Le Bistrot (11 Galerie Charles III, Tel: 93.50.65.03) has a pleasant terrace, is located near the casino and features perhaps the best meat in Monaco. Its new neighbor, La Table Impériale, mixes excellent Chinese cuisine with Italian and French fare. For caviar, smoked salmon and blinis try La Maison du Caviar (1 avenue Saint-Charles).

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# Real Estate in Monaco: A Safe Investment in a Fluctuating Market

Monaco real estate is perhaps one of the Europe's most solid investments. The speculative days of a decade ago, when Italians flocked to the principality to get their money out of Italy and prices skyrocketed, are over. Monaco has returned to gradual but steady growth.

"The speculative era has run its course and there is again rationality in the local real estate market," said lawyer Jean-Charles Rey, who is also head of Monaco's parliament. "During the past 50 years I've seen speculation, periodic crises and flat markets, but I've never seen prices go down."

Until five years ago, speculators would buy apartments based on the plans and sell them for double or triple the investment before or upon completion. But today purchasers buy primarily for personal use and seem content with five-to-ten-percent annual growth.

Why is Monaco a potentially better investment than other areas? It has excellent security and stringent construction codes and building regulations. More importantly, a lot of people want to live in the principality and there is limited space.

"People come to buy Monaco, not a particular development," noted Georges Abensour, the promoter of a development called Le Florestan.

"But today's products must be backed with superior quality, the latest security measures and state-of-the-art comforts because the people who buy want to move in."

**What goes up must come down?** Like other real estate markets, Monaco is somewhat cyclical and to an extent is influenced by French policies. Following the rampant speculation of the 1970s, there was a slowdown in 1981-1983, presumably due to the socialist takeover in France. Today there is a competitive, durable market with a clientele that consists of about 90 percent foreigners.

"There are over 60 real estate agencies here, which creates substantial competition for such a small area," said Raoul Boni, president of the Monaco Real Estate Association. "Prices range from FF 12,000 to 18,000 a square meter for apartments over ten years old and FF 22,000 to 50,000 a square meter for recently built apartments. There is a big price difference depending on location, floor and exposure."

There is also a notable change in architecture.

"There is an evolution in construction, from American-like dense, vertical buildings to more traditional structures," noted Bernard Fautrier, the

government counselor for public works and social affairs.

Fautrier points to the Mediterranean style of smaller apartment buildings on the reclaimed land in Fontvieille, as well as contemporary projects in Monte Carlo which adhere to the architectural spirit of earlier eras.

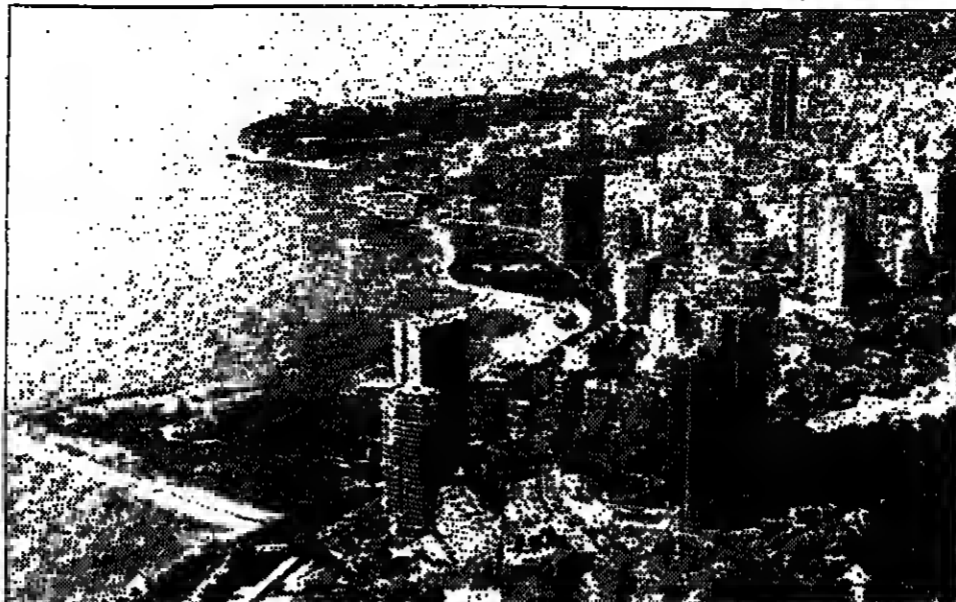
"Monaco is a good long-term investment for almost any type of apartment," said real estate agent Sultane Bolocine. "And there are, fortunately, still some capricious people who will buy the more expensive properties."

**How to buy.** Apartments can either be purchased directly from promoters, who usually have showrooms within a particular building or development, or through agencies at about the same price. Exclusivity is rare in Monaco and most agencies handle a similar range of properties.

Eight agencies (Atlantic, AFIM, Bremond, Immo2000, Immocontact, IRIS, John Taylor and Sons, and Agence du Midi) recently grouped together to pool their listings in a central data bank. A client can get access to the entire file — according to price, area, location, view and other criteria — by contacting any one of the eight.

"Everyone is going for the same market and our objective was to make it efficient for ourselves and customers," explained Jean-Paul Boisbouvier of the International Realty & Insurance Society (IRIS).

There are, of course, different ways to move into Monaco. Designer Karl Lagerfeld, whose Monaco apartment is decorated with furniture from the Memphis school, has



Real estate in Monaco is a mixture of traditional structures and modern high-rises.

worked out an interesting arrangement with the SBM. They are giving him the extraordinary three-story villa de la Vierge near the Monte Carlo Beach Hotel, which is actually on French territory and has been lying dormant for years, to use during his lifetime. In return, he is paying for the restoration.

How will other real-estate investors fare in the future? "Real estate will keep doing well in Monaco because people will keep wanting to live here," predicted Vernon Farnsworth, vice president at the Chase Manhattan Bank. "Prices are comparable with those in London, New York, Paris or Hong Kong and it is hard for buyers to go wrong."

This is confirmed by Alain Breton, manager of the Property Finance Division of Security Pacific Bank, who is an expert in this field — he set up the financing of some of the most prestigious Monaco projects such as Park Palace, George V, Le Florestan and Eden Star.

## Buying Into Monaco

There are a number of luxury real estate programs reaching fruition in Monaco. The most interesting are:

- **Le Florestan**  
62, boulevard d'Italie  
Tel: 93.30.06.70 (Showroom)  
This 12-story marvel, built in a neo-classical Monegasque architectural style, features 35 large apartments with spacious clover-shaped loggia. It is due for completion at the end of 1987.
- **Le George V**  
14, avenue de Grand Bretagne  
Tel: 93.25.78.95 (Showroom)  
The George V, which will be completed at the end of the month, includes luxury apartments on upper floors and completely fitted office suites, ranging from 70 to 900 square meters in size, on lower levels. The complex includes underground parking, substantial landscaping and luxurious detailing, in a prime location.  
Local agent: AGEDI, 26 bis, boulevard Princesse Charlotte, (Tel: 93.50.66.00).
- **Le Montaigne**  
6, boulevard des Moulins  
Tel: 93.50.63.04  
There are ten studios, two large apartments and a furnished 200-square-meter penthouse duplex (FF 8 million) available at this centrally located complex.
- **Le Metropole**  
17, Galenic Charles III  
Tel: 93.50.15.10  
Developer Nabil Boustany wants his apartments to be the most

expensive in the world, has sold or leased 45 of his 100 commercial boutiques and has rented or sold half the office space available in Monaco's most ambitious development. The hotel and apartments will be ready for occupancy next summer.

- **Le Park Palace**  
Legadel S.A.  
27, avenue de la Costa  
Tel: 93.50.92.86  
The Park Palace, located near the casino with its own exclusive shopping area, still has some studios and smaller apartments for sale. Perhaps the most intriguing buy is a top-floor duplex, with its own swimming pool, for FF 26 million.

Agencies. To purchase office space, commercial property or villas in Monaco, contact any of the following reputable real estate agents:

- **Acropolis**  
2, avenue Saint-Laurent  
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- **A.I. Bertola**  
7, avenue des Papalins  
Tel: 93.30.81.34  
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- **Compagnie Commercial Immobilier**  
25, avenue de la Costa  
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CIC, which began operations six months ago, has a variety of apartments and commercial space for rent or sale.
- **CCRG**  
30, boulevard Princesse Charlotte  
Tel: 93.30.32.33  
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- **Intermedia**  
Passage de l'Ancienne Poterie  
Tel: 93.50.66.84  
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- **Palmero**  
20, boulevard de Suisse  
Tel: 93.30.76.77  
Among the principality's newest agencies, Palmero also handles apartment management and administration.

For computer-assisted information, consult the data-bank service offered by the following agencies: Atlantic (Tel: 93.25.68.68), AFIM (Tel: 93.30.98.59), Bremond (Tel: 93.25.51.22), Immo2000 (Tel: 93.30.48.10), Immocontact (Tel: 93.25.51.22), IRIS (Tel: 93.30.53.53), John Taylor and Sons (Tel: 93.50.30.70) and Agence du Midi (Tel: 93.30.40.26).

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Tel: 93.50.92.86 - Telex: Legadm 479270 MC and all Real Estate Agencies in the Principality of Monaco.

## What's in a Stadium? Everything From Pools to Schools

A sports stadium built on reclaimed land would not usually be on the top of anyone's list of things to see. But Monaco's Stade Louis II, which opened almost two years ago, is a vibrant, high-tech wonder in Fontvieille that is worth visiting for a workout or for one of the two organized tours every afternoon.

It is linked to the urban heating and cooling system, which uses energy generated by refuse incineration, and, like

the nearby apartment complexes, is equipped with pneumatic garbage disposals.

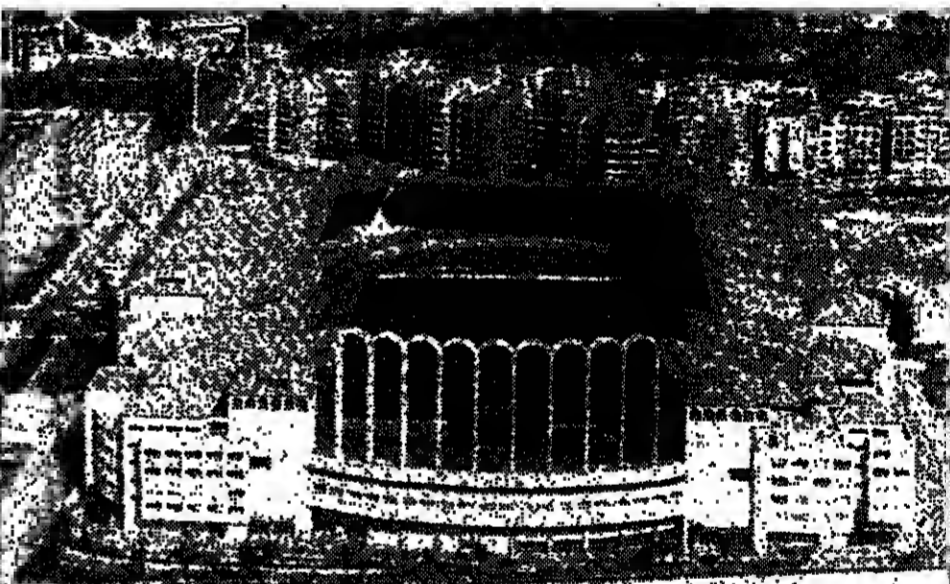
Space, of course, is at a premium in the principality. Twenty percent of Monaco is built on reclaimed land and Fontvieille, the 22-hectare (34-acre) area of reclaimed land where the stadium is located, aptly illustrates how the local authorities put it to use. Stade Louis II is constructed on three hectares (7.5 acres) of land but contains 21 hectares of area. Named after Prince Rainier's grandfather, Louis II, the stadium took just over three years to complete and its expensive steel reinforcement can theoretically cope with an earthquake reaching a magnitude of 8 on the Richter scale.

"Fontvieille is a marvel in land reclamation and the stadium is an exceptional utilization of space," said Bernard Fautrier, government counselor for public works and social affairs. "We have attempted to be very diligent in the use of this valuable space because there is no

more sea for us to take — and I am not sure that people would today accept such massive reclamation projects for environmental reasons."

The most remarkable thing about Stade Louis II, which has a tiled roof and eaves that blend with the landscape, is that the playing field and seats for 20,000 spectators are constructed above the multipurpose gymnasium, diving pool, swimming pool and nine levels of office space (9,200 square meters or 30,000 square feet), exercise rooms, bars, restaurants and car park.

The gym has a seating capacity which varies from 2,000 to 3,700, depending on the sport, and is the scene of handball, volleyball, tennis, table tennis, boxing, fencing, gymnastics, wrestling, weightlifting and basketball competitions. The stadium is now home to 57 different athletic teams, including a basketball team (which, under the direction of American Bill Sweek, won its division during the first half of the sea-



Monaco's Louis II stadium, which was opened two years ago in Fontvieille, includes not only state-of-the-art athletic facilities but also schools, offices and restaurants.

son), but is open to anyone. The 50-meter swimming pool is a great place to work out between 7:30 a.m. and 2:30 p.m. (entry: FF 12).

A century ago Fontvieille was a natural beach, and the earliest attempts at reclamation occurred between 1880 and 1910. Public utilities were put on the first five hectares (14.4 acres) of reclaimed land, and a brewery and flour mill followed. But the main reclamation project began in the early 1960s and increased Monaco's national territory by nearly 16 percent. The works were completed in 1971.

Fontvieille, which is two-thirds owned by the state, now attracts light, non-polluting in-

dustrial with apartments and a functioning community. The entire scheme will be finished by the end of the decade and will include seven hectares of gardens in addition to a town center with a school, church, post office and administrative buildings. A three-star hotel will be built by a French hotel group.

School zone. The business-ness in the stadium are equally interesting. There is a Computerland franchise and numerous software and high-tech firms. The European University, which opened this autumn, has its Monaco headquarters in Stade Louis II while the American International School on the Côte d'A-

zur has its Monaco branch for younger (5- to 9-year-old) students.

"We use local, professional people to teach everything but language courses," explained François de Bruyne, head of the European University in Monaco which offers a four-year career-oriented undergraduate program and graduate programs in business administration.

The American International School, which follows an American curriculum, also opened its facility in the stadium in September and currently has 19 students.

"The primary section in Monaco is for parents with younger children who do not want to transport them to our location in Saint-Laurent-du-Var," says headmaster Richard Graham, noting that the student body consists of a variety of nationalities.

The stadium, of course, is not the only place to keep in physical or mental shape. The Monte Carlo Country Club has 23 tennis courts and the 18-hole Monte Carlo Golf Club has a panoramic view of the Riviera which comforts even the worst slicer. The outdoor saltwater swimming pool, Stade Nautique Rainier III, reopens in May, and its a breeze to sail, windsurf, fish or dive in the Mediterranean throughout the year.

What happened to the old stadium? Built by Louis II in 1937, it was demolished last month to make way for a commercial center.

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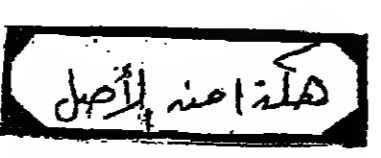
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Statistics Index

Table with 2 columns: Index Name and Value. Includes AMEX index, NYSE index, etc.

TUESDAY, DECEMBER 2, 1986

INTERNATIONAL STOCK MARKETS

Hang Seng Rise Unchecked By Rumbblings at Jardine

By PATRICK L. SMITH

HONG KONG — Nothing seems to stop the Hang Seng index from rising these days, not even the news last week that Jardine Matheson Holdings Ltd. Hong Kong's renowned trading house, had finished restructuring an escape hatch from the territory.

When Jardine announced that it was moving its corporate headquarters to Bermuda, in March 1984, the Hang Seng lost 73 points in a single session. The disclosure was a significant factor in a crisis of confidence over Hong Kong's future after 1997, when China is to regain sovereignty.

Paradoxically, share prices reached a record after Jardine disclosed last Thursday that it had completed a reorganization that will ease its withdrawal from Hong Kong if it chooses to do so. Clearly the stock market, at least, has finally absorbed the long-term political factor, even if it remains sensitive to day-to-day rumbblings in Beijing.

On Monday the Hang Seng index closed at 2,452, up 34 points from Friday's close. Jardine's shares, which were suspended for one trading session after its announcement, ended at 23.40 Hong Kong dollars (about \$3) a share, up 1.40 dollars.

The Hang Seng has risen 57 percent from its low point last March.

Analysts continue to rank Hong Kong, which has an overall price/earnings ratio of 14 to 15, high among the world's most attractive equity markets.

"We're still extremely optimistic about Hong Kong shares," said Lin Cheung, head of the broking department at Jardine Fleming (Securities) Ltd., "and it remains a very cheap market compared with Tokyo and most others."

LIKE MANY other brokers, Mr. Lin anticipates a Hang Seng of at least 2,500 by the end of the year, although few analysts of any persuasion would discount the prospect of some substantial profit-taking in the interim.

There is little in the territory's recent economic performance to blunt such enthusiasm. Export figures for October, released last week, showed a 41-percent rise from a year earlier, reflecting both increased demand for local products and an improvement in China's export-promotion drive.

The property sector, which directly accounts for almost half of the Hong Kong stock market, is equally healthy. Analysts note, for instance, that a site auctioned two weeks ago for 645 million dollars was almost immediately subject to a private offer of 700 million dollars from a Japanese consortium.

"We're looking for a strong economy to finance residential purchases by locals and for foreign buyers to support the commercial side," said an analyst at a British brokerage here.

The share market, after months of domination by foreign institutions, is now showing a similar mix of local and overseas interest. Hong Kong investors, most analysts believe, have now built up adequate asset bases abroad and are no longer net suppliers of stock.

Such property issues as Hongkong Land Co., Sun Hung Kai Properties Ltd. and Hang Lung Development Co. remain, as one analyst said, "the darlings of the investment community" despite the big gains they have already posted this year. So are such utilities as China Light & Power Co. and Hong Kong & China Gas Co.; the latter is viewed as a potential takeover target for British Gas Corp., whose shares are about to be traded in London.

Bank stocks are now viewed as attractive buys. They had underperformed relative to the overall market because of past weakness among local institutions and increased competition from mainland China banks. But September figures showed the first substantial growth in local loan demand this year, with mortgage approvals up by 16 percent from a year earlier.

Job Loss In Japan Mounting

Manufacturers, Mines Hit Hard

TOKYO — Japan's large manufacturers have cut 20,000 jobs since last fall, largely because of the negative effects of the yen's rise against the U.S. dollar, according to a government survey that was made public Monday.

The survey of employment at 110 large companies in 17 mining and manufacturing industries and 3 service sectors was conducted in early November by the Ministry of International Trade and Industry.

The yen has risen by about 58 percent against the dollar since September 1985, hurting the export-oriented economy by making goods more expensive overseas.

Employment in the steel industry, which suffered its largest losses since World War II in the six months ended Sept. 30, declined from 222,247 in December 1985 to 196,462 in September 1986, the ministry said. Steelmakers have announced further employment cuts.

The ministry said that in coal mining, which has been facing competition from lower-cost imports, employment declined from 18,099 in September 1985 to 17,354 this September.

The number of part-time workers in the automobile industry dropped from 16,000 in January to 7,000 in August, the ministry said.

The survey showed that even after large industries cut back 20,000 jobs, they are facing their largest worker surplus since World War II. Unemployment in Japan recently has ranged between 2.8 and 2.9 percent, the highest level since the government began gathering statistics in 1953.

Military personnel and people who work more than one hour a week are considered employed.

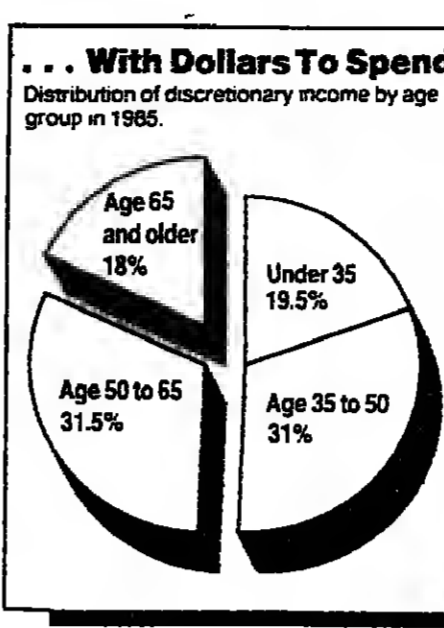
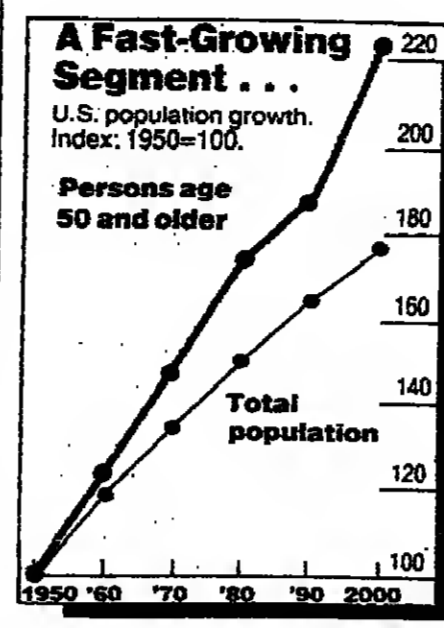
Faster Growth Urged

An advisory group to Prime Minister Yasuhiro Nakasone threw its weight Monday behind demands for faster Japanese economic growth, Reuters reported from Tokyo.

The group also sought to allay fears about unemployment.

In an interim report, the Special Committee on Economic Restructuring called on the government to spur growth by adopting policies to increase domestic demand and imports.

The council chairman, Haruo Mackawa, said at a news conference that Japan should aim for economic growth of 4 percent a year in the medium term. Domestic demand will have to rise faster to offset the drag caused by diminishing exports, he added.



New Ways to Woo Older Consumers

By Kelly Conlin

NEW YORK — People over 50 make up about a quarter of the U.S. population, but account for about half of the nation's discretionary spending and more than three-quarters of its wealth. And their numbers are growing.

Small wonder, then, that companies are increasingly wooing older consumers. But while some, especially those involved in travel and health care, have marketed effectively to older consumers for many years, others have not been so lucky. The more corporate America courts this business, the more it discovers what a tricky business it is.

Consider, for example, Johnson & Johnson's Affinity shampoo, a product it promoted as beneficial for brittle, hollowed-out, older hair. It flopped, until references to older hair were deleted.

Alberto-Culver ran into similar problems with its Prime Time shampoo, also meant for older consumers. The company has since decided to steer clear of that market "because we haven't been able to come up with a good marketing approach," said James O'Connor, a spokesman.

And at Ford Motor Co., an advisory board dedicated to marketing to older consumers was disbanded because "it didn't pay off," according to Belden Carroll, a Ford spokesman. Ford, however, says it is not giving up on the idea entirely; it has set up a study group to consider the question of marketing to the elderly.

But some companies are trying harder now, and bringing more sophisticated marketing methods to bear. Many are conducting extensive market research to help them understand older consumers better.

Perhaps the most important realization that has come from such research is that there is no single older consumer. Instead, the market contains a mix of the frail and the vigorous, of people working and retired, of rich and poor.

"This could be called the last mass market in America," said Franchelle Cadwell of Cadwell Davis Partners, a New York advertising agency. "But it is a very splintered market. There are black and white differences in terms of attitudes and life styles."

Traditional market research has often lumped consumers over 50 into one category, while delving in depth into the youth market.

Those using the data "often lump together those

U.K. Investigates 'Misconduct' by Guinness PLC

By Warren Getler

LONDON — The British government began a surprise investigation Monday of Guinness PLC, the diversified distiller, in what some analysts in the City of London suspect is the beginning of a major insider-trading inquiry.

By late Monday, it remained unclear what the investigation — called by the government under anti-fraud guidelines set out in a newly implemented Companies Act — was attempting to uncover.

Insider trading was not mentioned in a morning announcement that simply said the government was to investigate alleged "misconduct" of Guinness's management in connection with its shareholders.

Shares of Guinness, which acquired Distillers Co. for £2.7 billion (\$3.9 billion) this year, sank after the announcement to close at 292 pence, sharply down on Friday's final quote of 331.

Morgan Grenfell & Co., the British merchant bank that has acted as financial adviser to Guinness, has been asked to provide documents as part of the government inquiry. This development was disclosed by George Law, Morgan's compliance director, in an interview.

Sources at Morgan Grenfell confirmed that the government investigators specifically asked for Morgan's documents pertaining to the Guinness bid for Distillers.

The London stock market, deregulated Oct. 27 under the so-called Big Bang reforms, already had been unsettled by an investigation into alleged insider trading by Geoffrey Collier, the former equity-trading chief at Morgan Grenfell, and by reports that the

insider network of the American stock speculator Ivan F. Boesky extended to London.

Insider trading is the practice, illegal in some countries, of using confidential information about a company to make a profit by buying or selling its stock.

Other speculation on the cause of the inquiry pointed to Guinness's decision to renege on a promise to shareholders during its bid for Distillers. It had said it would name the governor of the Bank of Scotland, Sir Thomas Risk, as nonexecutive chairman of the merged group.

Guinness called the inquiry a "complete surprise," but said it was cooperating with the two independent investigators, a lawyer and an accountant, named by the Department of Trade and Industry.

Victor MacColl, Guinness analyst with Kleinwort, Grenesson & Co., said the investigation "obviously looks like it has something to do with insider dealings."

He speculated that the U.S. Securities and Exchange Commission may have provided information on the Guinness case to Britain's Department of Trade and Industry under an information-swap agreement signed this summer.

A London Stock Exchange official, who asked not to be named, said he was unaware of the exchange's having passed information to Trade and Industry that would have prompted the inquiry.

The official said the department must have another source on the Guinness case and suggested that if the source were the SEC, that could explain Trade and Industry's refusal to elaborate on the investigation's aim.

Under the Latest Keswick, Jardine Is Weathering the Typhoon

By Nicholas D. Kristof

HONG KONG — Simon Keswick dislikes being photographed against the Hong Kong skyline. "It's too Clavellian," he explained, wincing as he referred to the best-selling novels by James Clavell that loosely chronicle Mr. Keswick's clan and company.

A notion that a photograph of a man and a city would suggest a lord surveying his domains would be absurd in New York or London — but not in Hong Kong. Mr. Keswick's company, Jardine Matheson Holdings Ltd., has tethered over the British territory for 145 years, dealing in opium and silk in the last century and everything from ice cream to insurance today.

A few years ago, the international conglomerate nearly collapsed because of disastrous investments in real estate, shipping and the oil industry.

As earnings plunged and debt soared, it seemed that the "Noble House" that was founded in China in 1832 might expire — perhaps with control passing to one of several native Hong Kong entrepreneurs. But the typhoon appears to have passed.

Jardine has had to sell valuable assets to survive, but the slimmer company reported a near-doubling of profit in 1985 and a further 173 percent increase in the first half of 1986. Long-term debt has been cut in half.

The Keswick (pronounced Kizick) family is believed to own about 10 percent of Jardine and has been immersed in the company for more than a century. While earlier generations — such as Sir John Keswick, Simon's uncle — spoke several Chinese dialects and relished life in the colony, Simon's generation never learned the local language and seems more comfortable with steak and kidney pie in Britain than with bird's nest soup in the territory.

Simon Keswick reportedly told friends in 1982, when he arrived in Hong Kong from Britain, that he planned to remain for just five years. Today the tai-pan (big boss) insists that he will remain in Hong Kong for some time, and that Jardine will not abandon Hong Kong.

Jardine's return to fiscal health after five desperate years bodes the reputation Mr. Keswick has acquired as the inheritor of his family's looks — but not its business acumen. While he consults often with his older brother, Henry, who oversees Jardine's interests in London, it was Simon who first emphasized insurance brokering, which has done extremely well for Jardine recently.

Mr. Keswick's grand strategy is to maintain Jardine's volume of business in Hong Kong and China, while reducing the region's contribution to its earnings to about 50 percent from its present 75 percent. He plans to do that by increasing the amount of business done elsewhere in the world. As he envisions it, Jardine would control an international network of subsidiaries involved in insurance, securities, food, hotels and real estate.

Mr. Keswick has shown no qualms about dissecting Hongkong Land Co., of which he is also chairman.

In 1979 and 1980, Jardine made a disastrous investment in the land company, acquiring 40 percent of it and allowing it to acquire the same percentage of Jardine. That was near the peak of Hong Kong's land boom, and the subsequent collapse in the property market and soaring

interest rates became the single biggest burden on Jardine.

Mr. Keswick picked up the carving knife in October, when the land company's residential real-estate portfolio was sold to the Australian investor Alan Bond. Its Dairy Farm food subsidiary also is being spun off as an independent company. And last week Mr. Keswick said the land company's Mandarin-Oriental Hotels unit — which owns two hotels that are considered

among the best in the world, the Oriental in Bangkok and the Mandarin in Hong Kong — also would be spun off.

The land company will be re-See JARDINE, Page 17

Currency Rates

Table of currency rates for various countries including Australia, Canada, France, Germany, etc.

Other Dollar Values

Table showing dollar values for various currencies like Swiss franc, Japanese yen, etc.

Interest Rates

Table of interest rates for various deposit terms and currencies.

Key Money Rates

Table of key money rates for different financial instruments.

Asian Dollar Deposits

Table of Asian dollar deposit rates for various banks.

U.S. Money Market Funds

Table of U.S. money market fund performance.

Gold

Table of gold prices and market data.

Overseas Buyers May Lose Out in British Gas Sale

LONDON — So many Britons have applied for shares in British Gas, the state gas monopoly that is being privatized, that foreign investors may be crowded out, the merchant bank handling the record share issue said on Monday.

Anthony Alty of N.M. Rothschild & Sons said that more than two million applications to own shares had been received by the weekend and the issue would be oversubscribed.

He said it was likely the government would be forced to make way for wider British ownership by reducing a 20 percent block of shares originally intended for overseas buyers.

The government is offering more than 4 billion shares in British Gas at £1.35 (\$1.93) each, valuing the issue at about £5.6 billion.

The government has promised some British Gas shares to domestic gas users. Applications close on Wednesday.

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Advertisement for Audemars Piguet Perpetual Calendar watch. Text: 'THE Audemars Piguet PERPETUAL CALENDAR. NOTHING CAN EQUAL THE ORIGINAL.' Includes an image of the watch and contact information for O.J. PERRIN Jewellers.

Advertisement for ARGENTINE REPUBLIC EXTERNAL U.S. \$ BONDS AND BONOS NOMINATIVOS THE WESTON GROUP. Includes contact info for CH-1003 LAUSANNE.

Advertisement for HEERY Strategic Facilities Planners. Includes contact info for Heery International, Ltd.

BUSINESS ROUNDUP

Veba Group Net Profit Rose 7% in 9 Months

DUSSELDORF — Veba AG, the huge energy, chemical and trading group, said Monday that profit in the consolidated group net profit in the first nine months of this year rose 7 percent from a year earlier...

Mr. Bennigsen-Foerder also said he expected the government to sell its 25-percent stake in Veba in the first half of next year.

Results for the year should at least match last year's profits, but this does not necessarily imply a higher dividend, the chairman, Rudolf von Bennigsen-Foerder, said.

Investments in the chemical sector would total 3 billion DM in the five years from 1987.

Tidings of Comfort and Joy for U.S. Stores

NEW YORK — Encouraged by a stronger-than-usual crush of post-Thanksgiving Day shoppers, U.S. retailers are estimating that this past weekend — the first weekend of the Christmas season — will, when the results are in, show sales gains of 6 percent to 12 percent over last year.

Trading Put at \$55 Billion in Tokyo Offshore Market

TOKYO — Some \$55 billion was shifted from domestic "off-shore" accounts on Monday as Japan began allowing banks to make loans to foreigners or take deposits from them without all the restrictions applied to domestic banking...

Voest Is Main Test of Plan on Austrian State Firms

By John Tagliabue New York Times Service

VIENNA — Austria's two largest parties suffered serious losses in national elections on Nov. 23, but it is likely to be a while before anyone knows just how the country's huge nationalized industries, rocked last year by losses and scandals, will be affected.

Mr. Lewinsky has assembled a fresh team of managers to replace the nine-member management board the government discharged last year.

The new managers include Ludwig von Bogdandy, one of Europe's brightest steel innovators, who was hired from Klöckner & Co., the West German steel company.

Mr. Lewinsky has also begun weeding out unprofitable operations, in investor enthusiasm, even for profitable state-owned companies, may be difficult to raise.

Mr. Lewinsky's idea is to recast the company as a high-technology engineering concern based on revived steelmaking activity.

There is a cold wind blowing all across the European steel industry, Fritz Orzech, a Voest spokesman, said.

Austrian unemployment now runs at a relatively low 5 percent, but layoffs plans probably will not sit well with political leaders.

Investor interest, even for profitable state-owned firms, may be hard to arouse.

The concern has a solid substance and a healthy core, Mr. Lewinsky said recently.

That means sifting through Voest's divisions and subsidiaries, selling off some and pulling out of others.

Saint-Gobain Offering May Be Oversubscribed

PARIS — About half of the 19.6 million shares of Cie. de Saint-Gobain on offer have been bought by the French public midway through the initial stock flotation for the state-run industrial concern...

Mr. Lewinsky gained a reputation as a corporate fixer by keeping Mobil's troubled European operations afloat through the worst of the oil price crisis.

COMPANY NOTES

AE PLC, an engineering firm, said that pretax profit in fiscal 1986 rose to £29 million (about \$41.4 million) from £25.6 million in the previous fiscal year...

Novo Industri A/S, an insulin and enzymes producer based in Denmark, has sold its South African enzymes division to comply with Danish sanctions laws that are effective Dec. 15...

NV Philips, the Dutch electrical group, said it had agreed in principle with American Telephone & Telegraph Co. to market medical systems jointly in the United States.

Rothschilds International Money Funds. The efficient alternative to a deposit account in any major currency. Includes contact information for N M Rothschild Asset Management.

Part of the upsurge, retailers in nearly a dozen cities said, can be attributed to fair weather in many areas of the country. Erratic weather, they said, had deterred shoppers during much of November.

Inventory controls are tighter and more efficient in many stores than last year, when ebbs and flows in sales created an overstock of merchandise that had to be carried over into early 1986, leading to sharp markdowns.

Toray Sees Net Falling by 47%

TOKYO — Toray Industries Inc., Japan's top synthetic fiber manufacturer, is likely to post a 47-percent drop in unconsolidated net profit in the fiscal year ending next March...

Sales will be down 13 percent, to 54 billion yen (\$333 million), and annual dividends will be reduced by around 1 yen, to 5 yen per share, they said.

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Kleinwort Benson Australian Income Fund, Inc. Common Stock. 5,500,000 Shares. Includes list of member firms like Bear, Stearns & Co. Inc., Goldman, Sachs & Co., etc.

COMMODITIES

Paris Futures Market Enjoys Rise in Trade

By Malcolm Whittaker and Pierre Suchet Reuters

PARIS — The Paris financial futures market is witnessing a big increase in activity, according to market officials and operators.

open position on the notional bond contract, which indicates the depth and liquidity of the Paris market, the sources said.

As for the Treasury bill contract, activity began to pick up in September after a slow start, officials said.

The number of contracts on the notional has increased rapidly since the summer, to reach 325,424 in October against 70,000 in March.

Market sources said the ideal goal would be to multiply the volume traded on the notional by 10. That would equal the volume traded on the U.S. T-bond in Chicago, with 3.85 million contracts in October.

Xavier Dupont, chairman of the stockbrokers' association, said last week that there were 87 operators on the Matif, including six foreign traders.

He spoke last week at the inauguration of new trading pits in the Paris Bourse for the financial futures market, Marché à Terme des Instruments Financiers, or Matif.

The next contract to start trading in a few months is likely to be an option contract on the notional state bond. Others foreseen in the near future include European currency unit/dollar and ECU/yen contracts.

Pierre Bailey, chairman of the Matif governing council, said that since its introduction on Feb. 20, the market had passed through three phases — a rapid fall in interest rates, a phase of hesitation, and a rise in rates.

A further contract, based on a Bourse index, is in the early planning stage in the stockbrokers' association, market sources said.

Clearing house figures pointed up the relative importance of the contract, which indicates the depth and liquidity of the Paris market, the sources said.

Last Friday, Banque Paribas indicators showed average yield on state paper of more than seven years life at 8.56 percent, down from a yield at the end of February of 9.26 percent.

Clearing house figures pointed up the relative importance of the contract, which indicates the depth and liquidity of the Paris market, the sources said.

But a volume of 70,000 to 100,000 contracts a day by the end of 1987 was quite feasible for the French market, they added.

Clearing house statistics show that most activity is now concentrated on the three-month expiries of the notional, notably the furthest deliveries, while the monthly expiries tended to be ignored.

Table with 2 columns: BUSINESS LIST FROM YELLOW PAGES IN USA, Need a List or Mailing Labels for any Yellow Pages Category in U.S.A.? Write for our free catalog.

Table with 2 columns: FOREIGN & COLONIAL RESERVE ASSET FUND, A - U.S. DOLLAR "CASH" \$10.00, B - MULTICURRENCY "CASH" \$12.50, etc.

GENEVA — The fall of the dollar against the Deutsche mark is about to make West Germany the world's No. 1 exporter in dollar terms, dethroning the United States for the first time since World War II, according to the General Agreement on Tariffs and Trade.

Calculated in marks, the value of West Germany's export trade actually declined by 2 percent.

The prediction came in GATT's review of international trade, published Monday. The report is based on figures available for 1985 and the first 10 months of 1986.

The official noted that in terms of volume, U.S. and West German exports had crept up over the year at about the same rate, between 1 and 2 percent. But he added that in the long term, U.S. exports had fallen in volume since 1980.

At the same time, West Germany's exports rose from \$149 billion in 1985, when the dollar hovered around 3 DM, to \$200 billion in 1986, when the dollar had fallen to about 2 DM.

In 1985, GATT said, the United States maintained a 1.1-percentage point lead over West Germany in share of world exports, with 10.7 percent. Japan was third.

This is a value figure in dollars, so the exchange rate has a huge amount to do with this, a GATT official said.

PITTSBURGH — Aluminum Co. of America said Monday it would shut down two idle plants in Massena, New York, and Alcoa Tennessee, with a total annual capacity of 79,000 metric tons.

Handwritten signature or note at the bottom of the page.



**Monday's AMEX Closing**

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Via The Associated Press

| 12 Month High | Low | Stock | Div. Yld. PE | 52 Wks High | Low | Close  | Chg. |
|---------------|-----|-------|--------------|-------------|-----|--------|------|
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |

| 12 Month High | Low | Stock | Div. Yld. PE | 52 Wks High | Low | Close  | Chg. |
|---------------|-----|-------|--------------|-------------|-----|--------|------|
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |

| 12 Month High | Low | Stock | Div. Yld. PE | 52 Wks High | Low | Close  | Chg. |
|---------------|-----|-------|--------------|-------------|-----|--------|------|
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |

| 12 Month High | Low | Stock | Div. Yld. PE | 52 Wks High | Low | Close  | Chg. |
|---------------|-----|-------|--------------|-------------|-----|--------|------|
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |
| 14 1/2        | 14  | ACI   | 1.25 17      | 14 1/2      | 14  | 14 1/2 | +    |

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**INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 1 Dec. 1986**

Net asset value quotations are supplied by the Funds listed with the exception of some quotes based on issue price. The marginal symbols indicate frequency of quotations: (D) - daily; (W) - weekly; (B) - bi-monthly; (Q) - quarterly; (A) - annually.

| Fund Name                 | Net Asset Value | Frequency |
|---------------------------|-----------------|-----------|
| ALMAL TRUST S.A.          | \$ 239.51       | (D)       |
| ALM TRUST S.A. & CO. LTD. | \$ 214.45       | (D)       |
| ALM TRUST S.A. & CO. LTD. | \$ 214.45       | (D)       |
| ALM TRUST S.A. & CO. LTD. | \$ 214.45       | (D)       |
| ALM TRUST S.A. & CO. LTD. | \$ 214.45       | (D)       |

Be sure that your fund is listed in this space daily. Telex Matthew GREENE at 613595F for further information.



Dollar Still Lower on Iran Worries

Compiled by Our Staff From Dispatches

NEW YORK — The dollar slipped in quiet New York trading Monday after falling to a six-year low against the Deutsche mark in Europe. Concern over the U.S. supply of arms to Iran and its potential impact on the Reagan administration gripped foreign exchange markets, dealers said.

The big move downward "happened in Europe," said Daniel Holland, vice president of Discount Corp. of New York. Mr. Holland said there was a view that the Reagan administration "is losing some of its support. The confidence that we have had for five years is eroding and that's a negative" for the dollar.

The dollar had rallied from the day's low of 1.9555 DM, largely on short-covering spurred by concern about the possibility of the Bundesbank's buying dollars to support the U.S. currency.

The U.S. currency fell to 1.9675 Deutsche marks at the close in New York from 1.9715 DM Friday, to 1.6390 Swiss francs, after 1.6415; and to 6.4428 French francs from 6.4575. The British pound gained, to \$1.4380 from \$1.4345.

In London, the dollar closed at 1.9650 DM, down from Friday's finish of 1.9725 DM. The dollar also fell against the Swiss franc, closing at 1.6370 francs after Friday's 1.6418, and against the French franc, to 6.4350 from 6.4625. The pound rose against the dollar to close at \$1.4380 against Friday's 1.4318 finish.

The dollar rose only against the yen, to 162.25 from 161.85.

THE EUROMARKETS

More Than \$1 Billion in Debt Is Launched

By Christopher Pizzev

LONDON — The primary market for the Eurobond market had an active day Monday, with more than \$1 billion of new debt launched, most of it during the morning, dealers said.

and was lead-managed by Salomon Brothers International. It was collateralized by Federal Home Loan Mortgage Corp. Securities in 2016, the actual average life is 8 1/2 years. It pays 1/2 point over the London interbank offered rate, with a cap of 13 percent.

issued a \$100-million floater that has a further \$50 million on tap. The seven-year issue pays 1/2 point over six-month LIBOR and is callable after three years.

Three new floating-rate notes were launched, but dealers said there did not appear to be any great investor demand for them.

The lead manager was Nomura International Ltd. and dealers said the issue was well received by investors. It ended within the total fees of 1 1/2 percent at a discount of 1/4, having earlier hit a high of a discount of 1.15 bid.

The yen sector saw a 50-billion-yen bond issue for Nippon Telegraph & Telephone Corp. that pays 5 1/2 percent over seven years and is priced at 101 1/2.

In the secondary market, the FRN sector was again selectively weaker, with some issues down sharply.

Park Labrea Finance Corp. issued a \$165-million floater paying 1/2 point over six-month LIBOR. The 12-year issue was guaranteed by Financial Security Assurance and was lead-managed by Morgan Stanley International.

Ronald Lehman, an analyst with Montgomery Securities, said that the \$750 million could have paid for a new GM project.

The day's first issue was a collateralized mortgage obligation floater. The issue was for Euro CMO Trust, a special-purpose vehicle,

The issue will be used to finance sales of an apartment complex in the United States and is callable after five years. It was quoted on the cost to co-managers at 99.20. Heron International Finance BV

Also launched was a 60-million Australian dollar bond issue for Amro Bank NV. The three-year deal was priced at 101 and pays 14 1/2 percent. It ended outside the total fees of 1 1/2 percent at a discount of 1 1/2 bid.

London Dollar Rates table with columns for Country, Rate, and Bid/Ask.

PEROT: GM Plans Buyout

(Continued from page 1) er services company to American Telephone & Telegraph Co. AT&T's chief financial officer, Robert Kanver, confirmed, however, that talks between GM and AT&T took place. The two sides reportedly remained far apart on price.

The Wall Street Journal said that the proposal to buy out Mr. Perot called for the top 200 employees of Electronic Data Systems to agree to stay with the company for about one year.

Analysis said the move would dampen GM's efforts to persuade investors that it is placing its troubled finances in order. The automaker reported an operating loss of about \$338 million for the third quarter.

The move "shows how entrenched Roger Smith and his cronies are in the GM bureaucracy," said Michael Luckey, an auto analyst with Shearson Lehman.

Ronald Lehman, an analyst with Montgomery Securities, said that the \$750 million could have paid for a new GM project.

"I wonder what the UAW," or United Auto Workers Union, "will think when GM doesn't have the money to keep up profit-sharing payments to workers but has enough money to make a billion-dollar even richer," he said.

ELDERLY: Companies Increasingly Wooing Wealthy, Growing Market

(Continued from first finance page) 50 or over as one homogeneous group," said Deborah Moroney, director of marketing for Simmons Market Research. "People are starting to realize that's not true."

Some marketers have suggested breaking down the group into three categories: those in their 50s to early 70s; those between 75 and 85; and those over 85.

Many in the first group are retirees, enjoying newly acquired leisure. They are a good market for recreational products and services, and are eager to spend on themselves, because the financial burdens of raising a family are behind them.

By this age, the children's college education is usually paid for, the mortgage often retired.

Those between 75 and 85 are beginning to slow down, but continue to pursue some leisure activities. Health is sometimes a problem, and special care is often needed. They are also a captive market for services once performed by themselves, such as lawn care, house cleaning or cooking.

Although there are notable exceptions, many people in the over-85 category do not support the elderly market. This group has the hardest time shopping and getting around, and often has difficulty with things many people take for granted: opening doors or reaching for the top shelf, for example.

But if there are no time-tested marketing formulas to grab the older consumer, advertisers have become especially sensitive to advertising that calls attention to directly to the intended audience.

According to Joseph Smith, the president of Octopus-Smith Inc., a New York-based consumer-research firm, psychological age, the age people perceive themselves to be, is more important in marketing than chronological age. The definition of what it means to be old is changing, and marketers need to reflect that change.

"The stereotypically elderly person is really a rarity in our society," he said. "There are indeed retirement communities where shuffleboard is the most vigorous activity, but in the mainstream there is a vitality that we either weren't aware of or wasn't there before."

One popular form of defining consumer groups, called psychographics, is now being tried out on older consumers for the first time by James Gollub, a senior analyst at SRI International, a nonprofit research organization in California.

He has determined market niches by using psychological data about people in a certain age group.

For example, in the 65-75 age category, he has found a group he calls the "self-compensators" — people who ever get a chance to do things when they were young. These people are the ideal market for extravagant and attention-getting products, such as boats and sports cars, Mr. Gollub said.

This is not to say that all efforts aimed at a broader mix of elderly will fall flat.

Sears and Montgomery Ward are among companies that have established coupon clubs for consumers 50 and over. The clubs coordinate special discount programs. The Sears club, begun in 1983, has 20 chapters and a million members. The Montgomery Ward club, begun last year, has more than 100,000 members.

"We have a very mixed and varied group of people," said a Sears spokesman, Joyce Cochenour. She said the company would probably split the club into different market segments when it got a bit bigger.

K. Mart created special hours during the last holiday season when it opened its stores only to those 55 and over. A company spokesman called the promotion "extremely successful," and said it will be offered again this year.

Southwestern Bell, which began marketing a Silver Pages directory in St. Louis, Missouri, two years ago, plans to publish directories in 90 cities by year-end. The directory, which features advertisements from area merchants promising discounts to those over 60, has exceeded revenue projections, although it has not yet turned a profit.

Companies are taking other tactics, as well. Several drugstore chains, for example, are designing systems so that older consumers will not need to walk up and down aisles, reach for products and then carry them to the cashier. Instead, the consumer would push a button to call up a product on the store's specially equipped television screen. A nearby phone would connect the customer to a pharmacist or nurse to answer any questions. The selected products would then be waiting at the checkout counter.

Whether aiming at a specific segment or the older group as a whole, it is important to present a product or service in an upbeat way, marketers agree.

For instance, several major real estate concerns, including Oxford Development Co. and Marriott Corp., have touted the active way of life available at the luxurious retirement communities they have designed for those over 70.

"Older people don't feel like they're winding down; they think of themselves as with it," said Barbara Feigin, executive vice president of Grey Advertising. "The advertising has to reflect that."

JARDINE: Under Latest Keswick, It Weathers Storm

(Continued from first finance page) oot the only executive to go. On arriving, Mr. Keswick evicted the previous chairman, David K. Newbigging, and about 40 other executives.

The upheaval was all the more striking because Jardine Matheson had been noted for its relaxed management style, cultivated by generations of young Oxford and Cambridge graduates.

In the last few years, Mr. Keswick has dumped several lines of business as well as businessmen.

"It's a genuine recovery, in that they've managed to get rid of the rubbish," said Christopher Chong, an analyst at James Capel Ltd. in Hong Kong. "They're out of shipping and oil, but where do they go from here?"

When the restructuring is complete in a few months, Mr. Keswick said, Jardine will focus on six semi-autonomous areas: engineering and construction; insurance and securities; transport, including ship brokering and management; marketing and distribution, including wine, cars and the Pizza Hut restaurants and 7-Eleven stores that it operates under license; hotels, including 10 luxury hotels in the Mandarin-Oriental group soon to be spun off from Hoogkong Land, and the real-estate interests of Hoogkong Land itself.

Monday's OTC Prices NASDAQ prices as of 4 p.m. New York time. Via The Associated Press

Monday's OTC Prices table with columns for Stock, Div. Yld., High, Low, P.A., and Net.

Table with columns for 12 Month High/Low Stock, Div. Yld., Sales in 100s, High/Low, P.A., and Net.

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Monday's AMEX Closing Tables include the nation's prices as of the closing on Wall Street and do not reflect later trades elsewhere.

Monday's AMEX Closing table with columns for 12 Month High/Low Stock, Div. Yld., Sales in 100s, High/Low, and Close.



SPORTS

Hamilton Wins CFL Grey Cup

VANCOUVER, British Columbia — Mike Kerrigan threw two touchdowns, and the Hamilton Tiger-Cats put on a tremendous defensive display Sunday to win their 14th Canadian Football League championship with a 39-15 upset of the Edmonton Eskimos.

in before in the States. At Northwestern, I think the only team I ever beat was Wyoming."



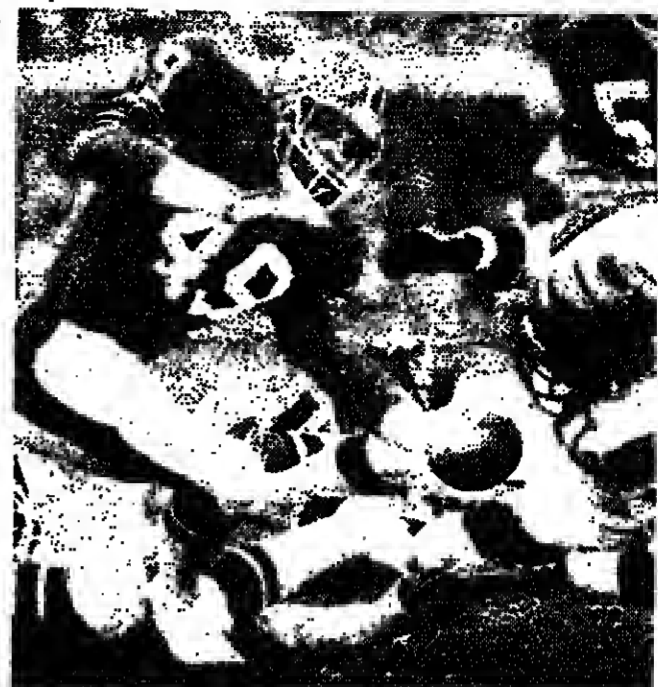
Quarterback Mike Kerrigan, sipping champagne from a brimming Grey Cup.

Cunningham Leads Eagles Past Raiders in Overtime

By Bob Oates
Los Angeles Times Service
LOS ANGELES — It was a classic quarterback duel here Sunday, and in the end one of them, Randall Cunningham of the Philadelphia Eagles, won it fittingly, with a quarterback sneak in overtime.

Cunningham said, "First I looked for Z [the tight end], then Y [the other wide receiver] and then the fullback. But Mike was still running, so I threw it to him."

in the second quarter built a 34-14 advantage, and the Broncos withstood a late Cincinnati rally to open up a two-game lead in the AFC West.

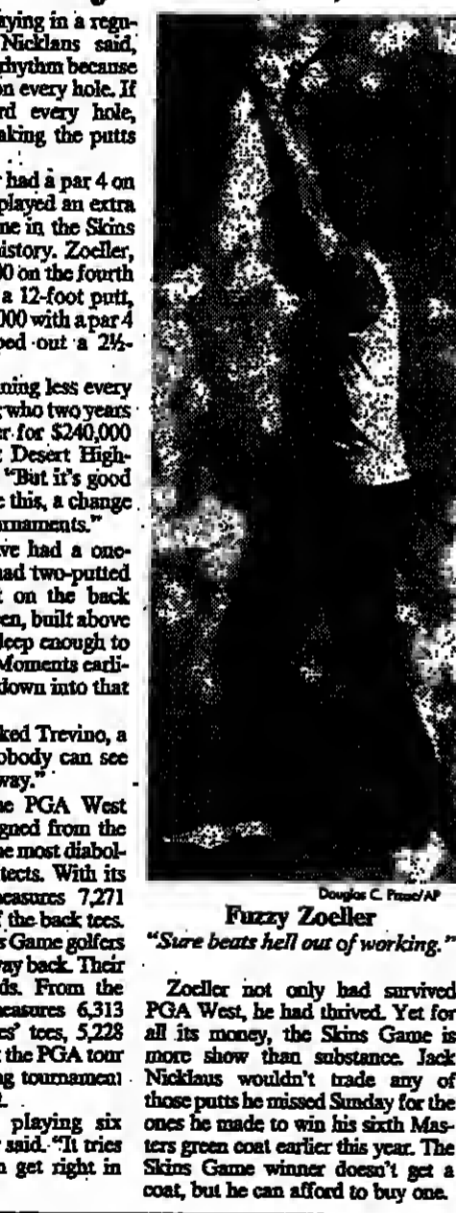


Denver safety Dennis Smith, reaching for the ball after a first-period fumble by Cincinnati running back Bill Johnson.

Riggs ran for 172 yards in 33 carries. Riggs ran one yard for the first Falcon touchdown and Schobel's scramble made it 17-7.

Zoeller Calmly Hits a Pair of Jackpots, Skins Three Colleagues for \$370,000

By Dave Anderson
New York Times Service
LA QUINTA, California — With two wisecracks near the 15th green at the PGA West Stadium course here Sunday, Fuzzy Zoeller and Jack Nicklaus defined golf's Skins Game better than anyone else ever has.



Fuzzy Zoeller

"When you're playing in a regular tournament," Nicklaus said, "you're putting a rhythm because you're putting out on every hole, your chances of making the putts are greater."

SCOREBOARD

Football

Table containing U.S. College Standings, Football Standings, and NFL Standings with columns for team names and various statistics.

Basketball

Table containing U.S. College Results, NBA Standings, and World Cup Skiing results.

Hockey

Table containing NHL Standings, WALES CONFERENCE, and CAMPBELL CONFERENCE results.

Knicks, Colts Ax Coaches

The Associated Press
NEW YORK — Hobie Brown was fired Monday as coach of the New York Knicks of the National Basketball Association and replaced by assistant coach Bill Cartwright.

five NFL coaches — in two seasons with the Colts.
Meyer, 45, coached the NFL New England Patriots from 1982-84, compiling an 18-15 record.

INTERNATIONAL CLASSIFIED

Table listing various international classified services such as Escort Services, Geneva Escort, Zurich, and others.

ESORTS & GUIDES

Table listing various escort and guide services with contact information for different agencies.

ART BUCHWALD

Overstretched Credulity

WASHINGTON Every time I believe my credulity has been stretched to its limit someone stretches it some more.

This time it was my confidential source at the White House who did the stretching. His code name is "The Meeseburger."

"Do you believe the story that Lieutenant Colonel Oliver North of the NSC was the only person in the White House who knew we were sending arms to Iran?"



"Do you believe that Secretary of State George Shultz is a rat?" he asked. "No, but I would appreciate it if you passed it on."

"I asked The Meeseburger, 'When did the president know George Shultz was a rat—before or after the arms shipments to Iran were okayed?'"

"He found out afterward—but we suspected something earlier when Shultz refused to take a lie detector test, which showed he wasn't a team player."

"Do you believe the president is an electronic art system?"

knew about the arms to Iran, but not about the money for the contract?"

"What does the president want to do? Believe? After all, it's his movie."

"He wants you to believe that it was okay to send a few firecrackers to Iran as a good-will gesture to the ayatollah, but it was a bad idea to use the money from the sales to finance our brave freedom fighters in Nicaragua—especially if you get caught at it."

"Now can I ask about the law? Did anyone violate it?"

"The Meeseburger's nostrils started quivering. 'That's for the attorney general to tell us, after he conducts a thorough and complete investigation.'"

"Maybe, but he's the president's lawyer, and has a vested interest in protecting the White House."

"That won't stop the attorney general from finding out who is behind this dastardly act, which took place in the White House within steps of Don Regan's office. I assure you the AG will pursue this case even if the evidence leads to George Shultz's bedroom."

"I'd still feel better if the AG took a drug test."

"You're being too harsh on the attorney general. He may have some weird ideas on the law of the land, but he's hell on wheels when it comes to people who are running money through the White House basement. The AG will get to the bottom of it."

"Suppose it involves all the president's men sneaking around the laws of Congress?"

"You have to understand something. Nobody likes to violate laws passed by Congress. But what is the White House going to do if the lawmakers won't back up the president? Ronald Reagan has to have some flexibility in ignoring the law of the land, as long as he personally doesn't know what is going on."

"You've convinced me."

"Now if you won't buy George Shultz as the heavy in this whole mess, would you consider Nancy Reagan's maid as the one who smuggled the arms to Iran?"

"Is that the direction you're heading?" I asked.

"The White House has to keep all its options open."

Robert Redford Takes to the Beanfield

By Peter Applebome

New York Times Service

RUCHEAS, New Mexico — It is about 10:30 on a Friday morning. Robert Redford walks through a gaggle of technicians and cameras across an open field under a mountain sky that is so blue it almost sears your eyes. He walks about 30 yards, hands in his pockets, lost in thought, and then suddenly turns and peers at the scene in front of him like a painter inspecting a half-finished canvas.



Redford (right) with Carlos Riquelme during filming of "Milagro Beanfield War."

What he sees is this: a scraggly green field of pinto beans, a bright yellow bulldozer, a tumble-down adobe hut and a gentle slope leading to a two-lane mountain road. It is a scene of utter normalcy and great resonance, both a lowly mountain beanfield and a lovely spot of the Hispanic culture of the northern New Mexico hills. Redford stands and looks for a few moments, as if both framing a camera shot and trying to coax as much meaning from the scene as possible, then turns again, tucks his hands back in his pockets and walks back toward the waiting film crew. It is time for the day's filming to be set.

It has been six years since Redford made his spectacular directorial debut with "Ordinary People," which won four Academy Awards, including best picture and best director. Now he is trying again with "The Milagro Beanfield War," a venture that seems as elusive and open-ended as his beanfield meditation.

Based on the book by the New Mexico author John Nichols, "The Milagro Beanfield War" is not exactly standard Hollywood fare. Nichols's book, part fiction, part fact, part political allegory, is the story of the poor Hispanic town of Milagro, which finds itself self-placed against a wealthy developer when a 35-year-old handyman named Joe Mondragon decides to irrigate his beanfield with water to which he does not own the rights.

The cast ranges from a Panamanian salsa star to a 74-year-old Mexican actor who has never worked in the United States to a sprightly Hollywood pig named Sugar. The production is being closely watched because, in addition to Redford's involvement, it is the first big-budget Hollywood movie centering on Hispanic culture featuring a largely Hispanic cast. Redford is co-producing the film, scheduled for release next September, with Moustaza Esparza, best known for "The Ballad of Gregorio Cortez."

The project's antecedents, such as they are, owe more to Gabriel Garcia Marquez's "One Hundred Years of Solitude" and the gritty 1954 film "Salt of the Earth," a story about a New Mexico miners' strike, than anything coming out of Hollywood these days.

"It certainly doesn't have any of the elements that studio look for in the kind of movies people like to make these days," said David S. Ward, who wrote the film's screenplay; his credits include the script for "The Sting," the 1973 film starring Redford and Paul Newman. "It's not a music video film. Most of the characters are Hispanic. It's not a big action film. It doesn't really have young stars. It doesn't have a lot of sex. But then again you look at 'Ordinary People,' and it didn't have a lot of those elements either. Bob pretty much has his own compass, and you have to have faith that if a movie is good it will find some kind of an audience."

Nichols, whose book is much revered in New Mexico and on college campuses but relatively little-known elsewhere, said: "If I were Robert Redford, I don't know if this is what I'd choose for my second directorial effort. It's almost like part of the exhilaration for him is daring himself to fall flat on his face. I've got nothing but admiration for hischutzpah."

Redford, 50, who had become a familiar sight to local residents in his silver Porsche, does not seem overly dazzled by the project's promises.

"I've always made movies I wanted to make," he said. "When I made 'Downhill Racer,' people said, 'Who wants to see a film about a skier?' Well, to me it was a movie about athletics in America, and the idea that in athletics winning was everything; it wasn't

how you played the game or some kind of Boy Scout code I had been raised with that didn't apply to anything except this air. When I made 'The Candidate,' everyone said politics is a dead issue in film. 'Jeremiah Johnson'—I remember being told, 'I can't sell it because it doesn't fit into any category. It's not really a western.' Even 'All the President's Men,' the party line on that was no one cares about the press. If you listen to that you don't make the movie."

Redford said he became interested in the Nichols book when he read it a decade ago while filming "All the President's Men." He considered it for his first picture as a director but chose "Ordinary People" instead, and spent several years on other projects before coming back to it. He is doing it as a joint venture with Esparza, who bought the book's rights in 1979. The filming ended in late November.

The book combines a cast of often outlandish characters, affection for the folklore and tr-

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PEOPLE

Ex-Kennedy Aide Named In Fake-Autograph Sales

Autograph dealers have accused a former campaign worker for Joseph P. Kennedy 2d of selling memorabilia bearing phony signatures of John F. Kennedy, according to a report published in Framingham, Massachusetts. No criminal charges were filed against the former aide, Timothy Phillips, The Middlesex News reported. He quoted a New York dealer and collector, Herman Derick, as saying that the dealers wanted to resolve the matter without going to court, and that many of them were too embarrassed to prosecute. The newspaper said Phillips's attorney, Alfred B. Nugent, declined to answer questions. A spokesman for Kennedy, Charles M. Bennett, said Phillips worked on Kennedy's congressional campaign from December 1955 through the September primary, when he was dismissed along with others to cut costs. The memorabilia fooled some of the best autograph dealers in the business, the newspaper said.

Menachem Begin broke his self-imposed seclusion Sunday to attend the annual memorial service at his wife's grave, Israel Television reported. Begin arrived at Jerusalem's Mount of Olives cemetery supported by his daughters, Leah and Hania. Since Aliza Begin died in November 1982, the former prime minister has been seen in public only at the memorial services, except for when he left hospital after an operation in 1984.

The conductor Leonard Bernstein, the pop singer Linda Ronstadt and the violinist Isaac Stern are scheduled to take part in a \$1,000-a-seat benefit Sunday in New York for the American Foundation for AIDS Research, organizers say. Others scheduled to appear at the dinner and concert are the singers Eileen Farrell and Melynda Rogers, the actors Kevin Kline and Bernadette Peters and the songwriter Marvin Hamlisch. The goal is to raise \$250,000 for research on acquired immune deficiency syndrome.

The film star Ava Gardner has been released from a hospital in Santa Monica, California, after spending almost seven weeks recovering from pneumonia.

ANNOUNCEMENTS

NEW 9-HOLE GOLF COURSE IN THE SWISS MIDLANDS (NEAR HIGHWAY) - OPEN FOR MEMBERSHIPS

URGENT EUROPEAN BASED FOR SALE... URGENT EUROPEAN BASED FOR SALE... URGENT EUROPEAN BASED FOR SALE...

FEELING LONELY - Having problems... FEELING LONELY - Having problems... FEELING LONELY - Having problems...

GUAM USA DIVORCE... GUAM USA DIVORCE... GUAM USA DIVORCE...

ALCOHOLICS ANONYMOUS... ALCOHOLICS ANONYMOUS... ALCOHOLICS ANONYMOUS...

PERSONALS... PERSONALS... PERSONALS...

THE CHRISTMAS GIVE SOMEONE... THE CHRISTMAS GIVE SOMEONE... THE CHRISTMAS GIVE SOMEONE...

MR. MORGAN DARLING, WE MISS... MR. MORGAN DARLING, WE MISS... MR. MORGAN DARLING, WE MISS...

MOVING... MOVING... MOVING...

interdean... interdean... interdean...

AMSTERDAM... AMSTERDAM... AMSTERDAM...

MINERVE... MINERVE... MINERVE...

INTERNATIONAL CLASSIFIED

REAL ESTATE FOR SALE... REAL ESTATE FOR SALE... REAL ESTATE FOR SALE...

REAL ESTATE TO RENT/SHARE... REAL ESTATE TO RENT/SHARE... REAL ESTATE TO RENT/SHARE...

REAL ESTATE TO RENT/SHARE... REAL ESTATE TO RENT/SHARE... REAL ESTATE TO RENT/SHARE...

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REAL ESTATE TO RENT/SHARE... REAL ESTATE TO RENT/SHARE... REAL ESTATE TO RENT/SHARE...

EMPLOYMENT... EMPLOYMENT... EMPLOYMENT...

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